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SUPPORT

PROGRAMME PLANNING

COUNTRY, INTERCOUNTRY AND GLOBAL PROGRAMMES

IMPLEMENTATION OF SELECTED COUNTRY PROGRAMMES

Latin America and the Caribbean region, 1989

Report of the Administrator

SUMMARY

The present report on the implementation of the Latin American and Caribbean programme for 1989 is submitted in accordance with Governing Council decision 81/15 of 27 June 1981. The report provides information on the region's economic performance and significant political events during the year, as well as the role of the United Nations Development Programme (UNDP) within this framework. Also highlighted are the general programme and financial trends for the region as a whole, on a subregional basis and for the regional programme. Within this context, special themes and areas of focus for technical co-operation are featured, including women in development, the private sector, the environment and the Management Development Programme, as well as the mid-term country programme review exercise. Attention is also given to aid co-ordination arrangements.

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I. GENERAL OVERVIEW OF THE REGION

A. Economic performance in Latin America and the Caribbean in 1989 1/

1. In 1989 the Latin American and Caribbean region continued to experience the impact of the economic crisis which has persisted unabated since the early 1980s. For the second consecutive year, the region's average per capita income declined, this time by 1 per cent. The gross national product (GNP) dropped in seven countries. Moreover, the region's average level of inflation reached an unprecedented 1,000 per cent, even exceeding 3,000 per cent in three countries (Argentina, Peru and Nicaragua).

2. The external debt burden has continued to plague the region. Twelve out of 17 major debtors are Latin American countries, four of which top the list (Brazil, Mexico, Argentina and Venezuela). In 1989 the total external debt of the region increased slightly, to a total of $416 billion, and only five countries were capable of meeting their repayment schedules in full.

3. For eight consecutive years the region has witnessed a net outflow of financial resources to the tune of $200 billion. This trend, although somewhat eased, continued in 1989 with an outward transfer of $25 billion, equivalent to 18 per cent of the region's exports and 3 per cent of its global GNP. It is worth noting that during this period the level of bilateral Official Development Assistance (ODA) received for the region in the same eight-year period was approximately $32 billion.

4. Notwithstanding the above, the region recorded a considerable trade surplus of $28 billion, due largely to a record export performance of $110 billion in 1989, representing an increase of 9 per cent over 1988. In the same year imports grew by 8 per cent. Other positive economic indicators show that in four countries (Barbados, Costa Rica, Paraguay and Chile) the level of GNP reached satisfactory growth rates; in Brazil and Mexico the growth rate was 3 per cent, thus exhibiting some signs of economic reactivation. In addition, 12 countries succeeded in keeping inflation within reasonable limits (below 40 per cent). These positive indicators were, in many cases, the outcome of concerted and aggressive efforts by countries to increase exports. Despite these cases of relatively good performance, however, the outstanding interest on the debt as a percentage of regional exports is still alarmingly high (30 per cent), and in 1989 the region's debt represented 316 per cent of all exports. Moreover, the export growth rate, especially for non-traditional goods, reflected a decreasing trend which could jeopardize the overall performance of the region in the future.

B. General political and economic context and perspectives

5. The underlying causes of the crisis of the 1980s can be associated with the structural features of the economy in many countries and with the lack of economic and political participation by large segments of the population, which continues to a great extent today. This is reflected in the unequal internal distribution of

income, high unemployment rates and the critical poverty of some 200 million people in the region. These are priority problems which need to be addressed as part of structural adjustment programmes and not exacerbated by them.

6. Furthermore, this lack of participation has contributed to an alienation between the population, political parties and Governments and in many countries is forcing a re-evaluation of the very nature of the State and its role in the quest for economic and social prosperity.

7. As indicated by the economic performance of the region in 1989, the Latin American and Caribbean countries continue to face a number of major economic difficulties. The huge debt burden is one of the major obstacles to development in the region and hinders the ability of Governments to solve the crisis through conventional domestic action. In addition, external factors such as the net export of capital, increased protectionism by industrialized countries, declining terms of trade of developing countries, exchange rate fluctuations and persistent high real interest rates make viable solutions to the problem more difficult to define.

8. As a result, the majority of Latin American and Caribbean countries are in a state of permanent crisis management to the detriment of a more rational approach to medium- and long-term planning. In particular, the implementation of structural adjustment programmes has created additional budgetary restraints and many countries have decreased allocations for the social aspects of development. In an attempt to alleviate the most pressing social problems, some countries have created social emergency funds. Indeed, the internal "social debt" has become as urgent a problem as that of external debt servicing obligations which, in turn, have also made it difficult to make any significant investment in other areas.

9. Future long-term strategies should aim at promoting a high degree of regional self-reliance, harmonization of economic schemes leading to regional integration, and fuller participation of all segments of the population in the political and social life of the country. This cannot occur without an early solution to the debt problem. Many proposals have been generated and increasing attention is being paid to high-impact relief measures, such as partial debt forgiveness and the "debt relief for social development" initiative undertaken by the Inter-American Development Bank (IDB) and the United Nations Children's Fund (UNICEF).

10. It is becoming increasingly clear that the restoration of creditworthiness is not totally dependent upon full debt repayment. Rather, sustainable social and economic adjustment and growth must be the guiding principle in the search for viable solutions to the debt issue. Thus, the development prospects of the region would be greatly enhanced if a new kind of development strategy emerged as a by-product of the debt crisis. Such a strategy would consist of integrated financing mechanisms for medium- or long-term development plans prepared by each country, with technical assistance if needed. This integrated approach would include balance-of-payment support from the International Monetary Fund (IMF), World Bank sectoral adjustment support, bilateral donor grant elements for basic needs, and co-financing for productive investments. The consultative group mechanism is a means for ensuring proper co-ordination of these inputs, and the United Nations Development Programme (UNDP) is co-operating in this process in many countries.

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C. Significant events in 1989

11. In 1989 a number of significant events took place, some of which provide an opportunity for important changes in the coming years.

12. In the Central American countries, the Special Plan of Economic Co-operation has laid the foundation for rehabilitation and renewed development with strong support from the international community.

13. Democratic Governments have been elected throughout the region and a commitment has been given to bring about a broader participation by all sectors of society in the political and economic life of the countries.

14. New proposals to solve the debt problem have been generated. The recent initiative of the Secretary-General to appoint a personal representative to explore this issue and submit recommendations at the end of 1990 is a recognition that new imaginative approaches are necessary and it has generated positive expectations for increased flexibility in solving the debt problem. Other initiatives such as the reciprocal cancellation of the debt between Argentina and Bolivia, the debt negotiations in Mexico, and an improved dialogue between debtor countries and international financial institutions, as in the case of Peru, are welcome and hopeful developments.

15. A number of countries are moving away from heavy involvement in public enterprises and are turning to the private sector as the stimulus for economic growth. The reform of the public sector is at the centre of the debate aimed at laying the foundation for a modern society. This debate includes discussion of a new division of labour between the public and private sectors; the strengthening of macro-economic management; a reconsideration of the size, organization and role of the public sector; a drive towards institutional decentralization with greater citizen participation; and the promotion of technological development.

16. The year 1989 witnessed an increased awareness by the countries of the region of the problems concerning the environment. The region's heavy debt burden, however, stood in the way of a more adequate management of the environment and of a better planned exploitation of natural resources. Nevertheless, there is a greater recognition that environmental issues must be dealt with in the spirit and context of international co-operation, among both developed and developing countries.

17. The integration efforts of some countries received a new boost by the decision of the "Group of Eight" to eliminate non-tariff barriers to trade and to reduce tariffs. Also, in the Declaration of Galápagos of 18 December 1989, the Andean countries decided to strengthen their integration efforts and revitalize the Andean Pact.

18. On the occasion of the tenth anniversary of the Buenos Aires Plan of Action for Promoting and Implementing Technical Co-operation among Developing Countries, 2/ the Governments of the region reaffirmed their commitment to South/South co-operation and stressed the need to encourage the full participation of women in technical co-operation.

19. The Caribbean countries face a number of major development challenges as they enter the decade of the 1990s. Apart from action at the national level, in an effort to optimize the development potential of the various countries, emphasis continues to be placed on strengthening economic integration arrangements both within the wider Caribbean Community (CARICOM) and the Organization of Eastern Caribbean States (OECS) which embrace the smaller islands of the Eastern Caribbean. Moreover, the Caribbean Group for Co-operation in Economic Development (CGCED) continues to serve as an important mechanism for promoting co-ordination among the various donors and beneficiary countries in support of the latter's development effort. Guyana has carried out a comprehensive exercise leading to the adoption of an important economic recovery programme.

D. UNDP programmes

20. Against the background described above, UNDP programmes in 1989 continued to provide technical co-operation in the priority areas identified by the Governments in their respective country programmes and at the regional and subregional levels.

21. Important efforts were made in the areas of critical poverty alleviation, agricultural diversification, investment promotion and development planning. UNDP also supported the formulation of structural adjustment programmes, encouraged Technical Co-operation among Developing Countries (TCDC), provided macro-economic advice, and fostered increased attention to the social aspects of development. Through national and regional workshops, UNDP has promoted the role of the private sector in development and fostered the debate on environmental issues.

22. In the years ahead, it is likely that UNDP will be requested to provide additional assistance in the fields of strategic planning, economic diversification, industrial restructuring, and trade. A greater involvement in the provision of macro-economic advice and in debt-related areas is also likely. Moreover, it seems clear that assistance in the fight against critical poverty, support to technological development and public sector management issues will continue to be of particular relevance.

II. THE UNDP PROGRAMME

A. Country programming

23. During 1989 country programme extensions were approved for Ecuador (until the end of 1989) and Haiti (until the end of 1990); preparations for an additional one-year extension are currently under way for Argentina.

24. Most of the country programmes were subjected to mid-term reviews during 1989, with 26 completed exercises, and the balance to be undertaken in 1990. The mid-term review of the regional programme will conclude in mid-1990. On the whole, the experience has shown that the objectives of the programmes, as originally approved, have been validated, although changing economic and political circumstances of some countries have generated a change in emphasis for specific

projects. The mid-term review process has also been a good opportunity to plan for the future, especially within the framework of upcoming preparations for the fifth country programming cycle.

B. Implementation

25. During the year, 232 new projects were approved, bringing the total number of ongoing country and regional projects to 1,597. The overall level of approvals in 1989 is estimated at $66 million, of which $37 million is derived from indicative planning figure (IPF) resources and $29 million from cost sharing. In terms of estimated expenditures in 1989, it is noteworthy that the level of total cost-sharing resources, calculated at 57 per cent, surpassed the IPF. The level of management services agreements, executed by the Office for Project Services (OPS) of UNDP, was estimated at $29 million for 1989. The amount of Special Programme Resources (SPR) committed in 1989 for Latin America and the Caribbean is estimated at $11 million, a 45 per cent increase over 1988 due primarily to the approval of projects within the Special Plan of Economic Co-operation for Central America.

26. In terms of programme commitment levels for the fourth programming cycle, $283 million or 88 per cent of programme resources was committed by the end of 1989, out of a total IPF entitlement of $323 million (see figure 1). The balance of $40 million will be programmed and spent by the end of the cycle, for which a healthy pipeline of projects exists. For 1989 the estimated level of delivery is $80 million.

27. In 1989 the overall sectoral breakdown of estimated expenditures in the region was as follows: 34 per cent for general development issues; 13 per cent for agriculture, forestry and fisheries; 11 per cent for the social sectors (employment, education, health, social conditions); 9 per cent for transport and communications; 8 per cent for industry; 8 per cent for science and technology; 7 per cent for natural resources; 6 per cent for human settlements; 2 per cent for international trade; and 2 per cent for other areas (see figure 2).

28. With regard to the component breakdown of project expenditures for 1989, estimates show that personnel is the most important component with 52 per cent of overall estimated expenditures, followed by equipment with 23 per cent, sub-contracts with 10 per cent, and training with 10 per cent.

29. With respect to agency expenditures for 1989, national execution continues to be the most utilized execution modality with 42 per cent of estimated expenditures. This is followed by 11 per cent for UNDP, 7 per cent each for the United Nations and the Food and Agriculture Organization of the United Nations (FAO), 6 per cent for the United Nations Industrial Development Organization (UNIDO) and 5 per cent for the International Labour Organisation (ILO). Figure 3 provides the complete breakdown. The region is at the forefront of national execution with a growth from 12 per cent in the third cycle to 30 per cent in the fourth cycle.

Figure 1

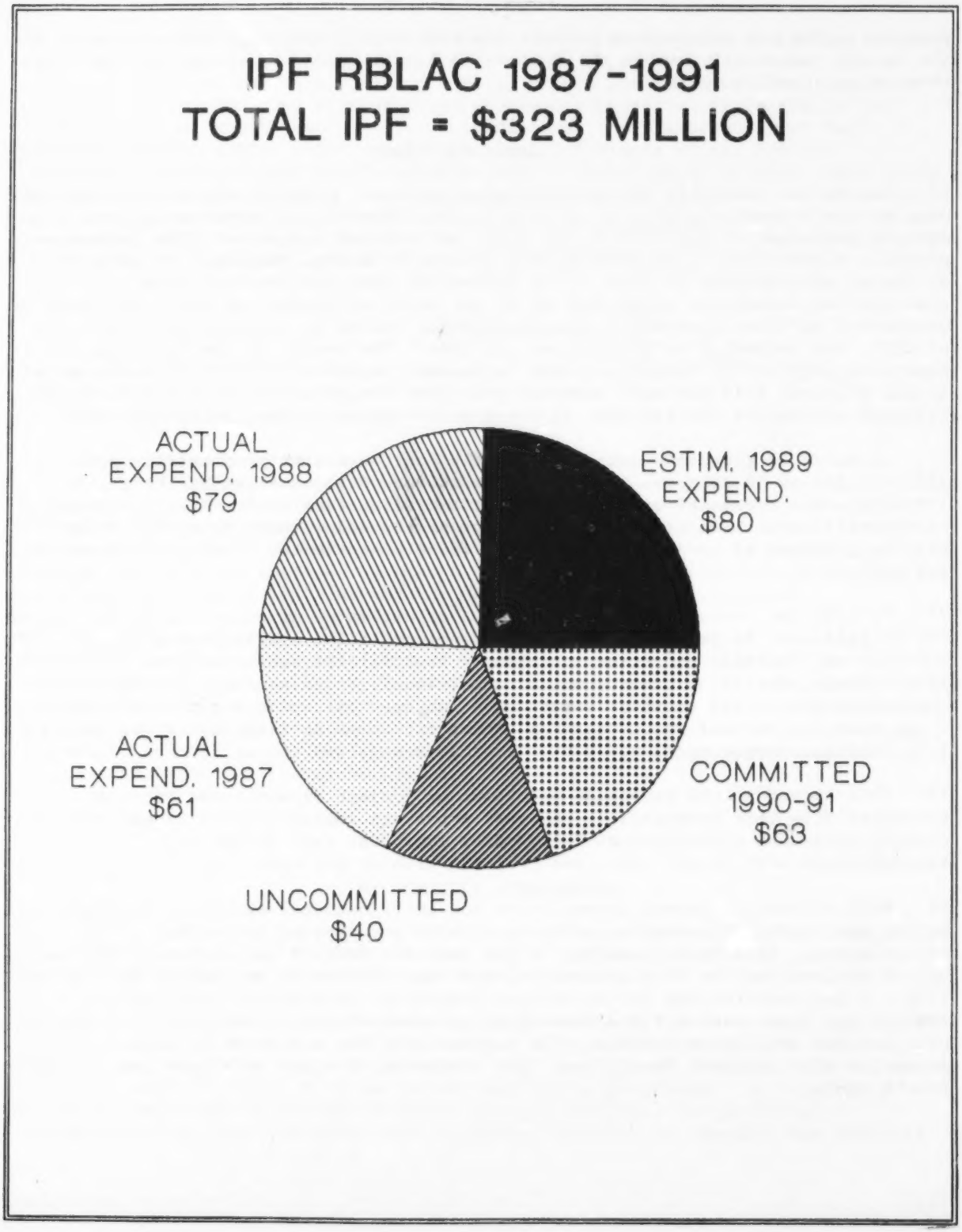
IPF RBLAC 1987-1991
TOTAL IPF = $323 MILLION
ACTUAL EXPEND. 1988 $79
ESTIM. 1989 EXPEND. $80
ACTUAL EXPEND. 1987 $61
COMMITTED 1990-91 $63
UNCOMMITTED $40

Figure 2

EXPENDITURES BY SECTORS
RBLAC--1989

(PERCENTAGE)

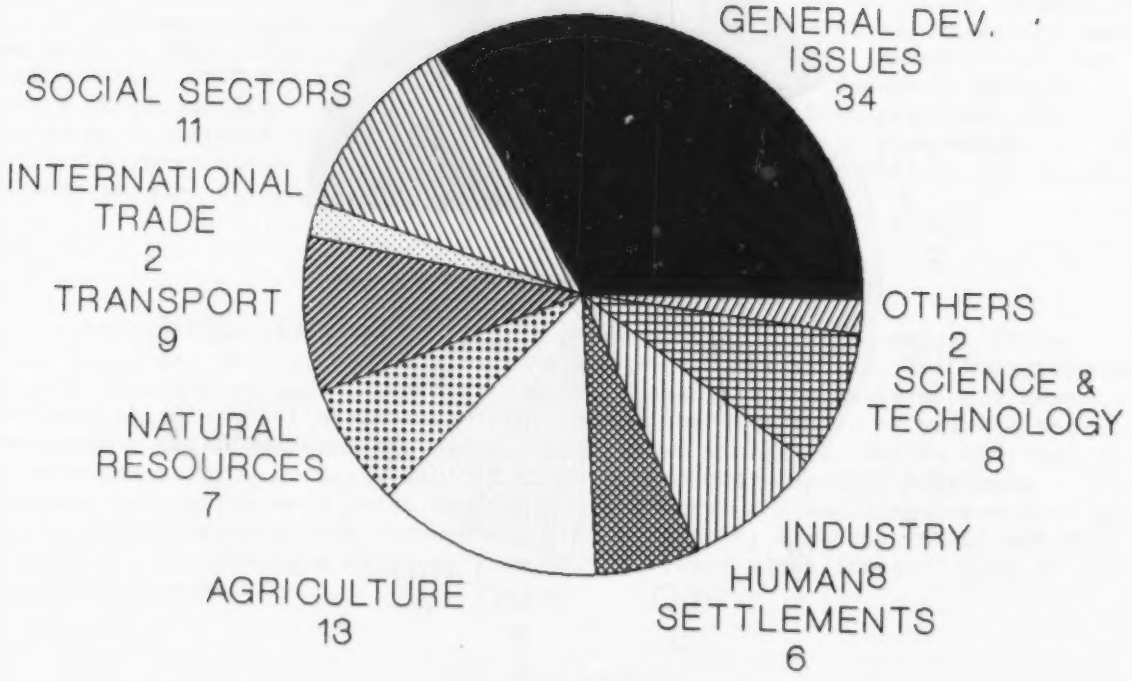

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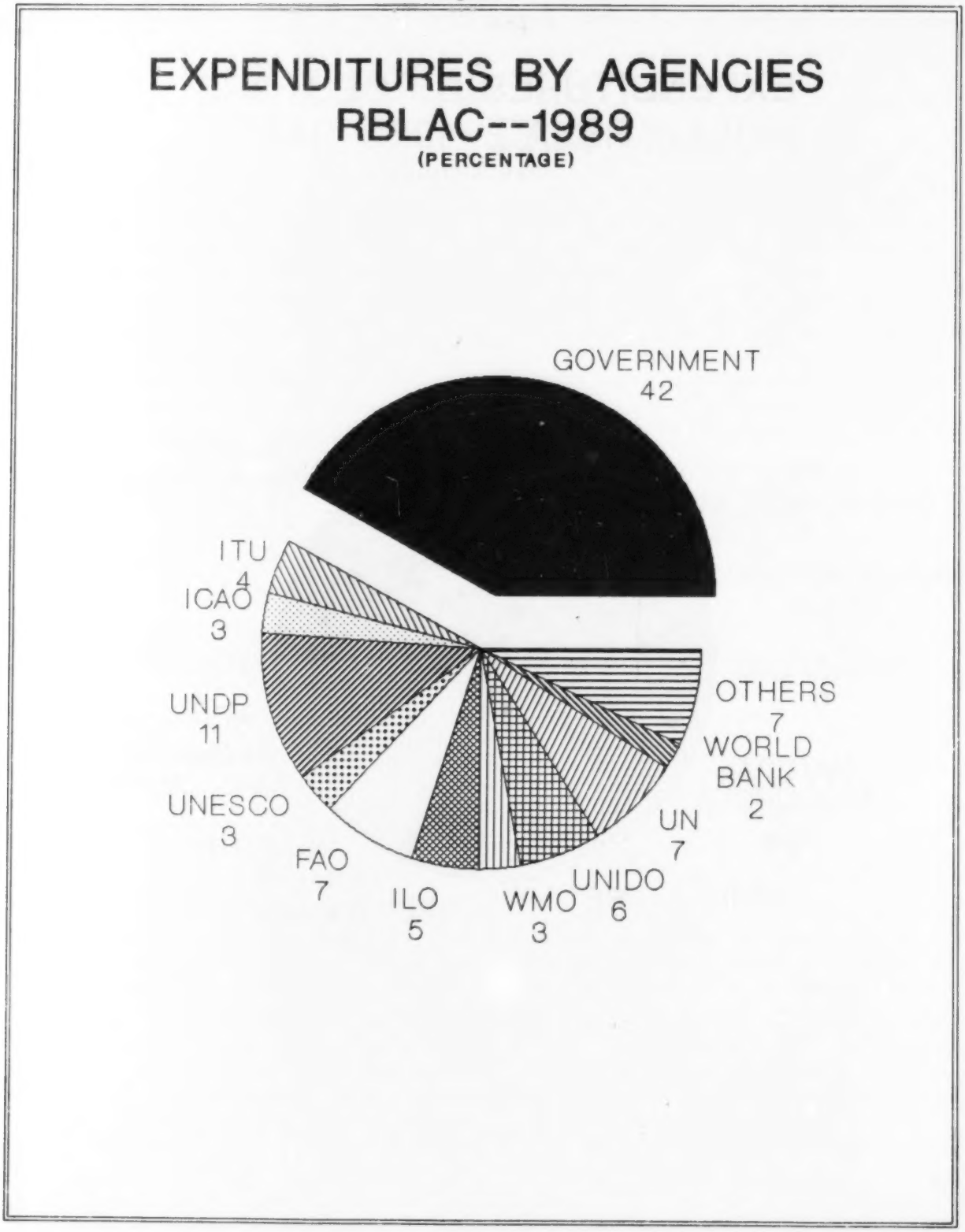
Figure 3


EXPENDITURES BY AGENCIES
RBLAC--1989
(PERCENTAGE)
GOVERNMENT
42
ITU
4
ICAO
3
UNDP
11
UNESCO
3
FAO
7
ILO
5
WMO
3
UNIDO
6
UN
7
WORLD
BANK
2
OTHERS
7

C. Special themes and areas of focus of the programme of technical co-operation

30. Particular themes have continued to be stressed in the implementation of UNDP's technical co-operation programme. These and other areas of focus are described below.

1. Women in development

31. Throughout the region, UNDP field offices have continued to review women-in-development (WID) concerns, utilizing WID sectoral guidelines (issued in June 1989) in the project formulation and appraisal process, as well as incorporating WID issues in the terms of reference for programming, design and evaluation missions. Various country programme mid-term reviews have dealt with the issue, and it will be actively addressed during consultations on the fifth programming cycle. In May 1989, a seminar on WID considerations in projects, programming and planning, organized by the Joint Consultative Group on Policy (JCGP) and the Economic Commission for Latin America and the Caribbean (ECLAC), was held in Santiago, Chile, for senior field office staff; additional workshops have been held in UNDP field offices to strengthen these concerns. Moreover, at the country level, UNDP has participated in seminars on general issues related to women's participation. Several WID country profiles have been prepared, and efforts will continue with respect to strengthening links with government ministries responsible for WID issues, agencies of the United Nations system and non-governmental organizations (NGOs).

2. Private sector

32. Private sector workshops took place throughout 1989 in Argentina, Chile, Haiti, Honduras, Mexico, Panama, Paraguay and Peru. In general, the workshops have not only fostered a dialogue between the public and private sectors, but have provided valuable opportunities for UNDP office staff to learn of private sector development, establish contacts and exchange views with other donors and the business community. In fact, several concrete project proposals have been generated to provide management support to the micro- and small entrepreneur, as well as public institutions through Short-term Advisory Services (STAS) and TCDC modalities. The dialogue will continue in the future as an integral part of the programming process.

3. Environment

33. Much has been accomplished in the area of environment and development. Workshops and meetings have continued to be held and, in general, they have fostered a greater understanding and awareness of environmental issues among policy makers, experts, private and public sectors, universities, NGOs and the media, and have encouraged linkages at the national, regional and international levels. Furthermore, the workshops have assisted in the formulation of country-specific

policies, strategies and projects. In May 1989, the Regional Bureau for Latin America and the Caribbean (RBLAC) participated in the IDB Second Consultative Meeting with Latin American environmental NGOs held in Washington, D.C., which provided an opportunity for the exchange of views and development of contacts for future collaboration in preparatory assistance missions of specific regional projects. The Commission of Latin America and the Caribbean on Development and the Environment, established in 1989, is a new initiative sponsored jointly by UNDP and IDB in this area, aimed at identifying the priority issues to be included in the agenda on development and the environment for Latin America and the Caribbean, in preparation for the United Nations Conference on Environment and Development to be held in 1992.

4. Non-governmental organizations

34. UNDP has provided support to NGOs through the Partners in Development programme in 15 countries, and three more have demonstrated a keen interest in participating. Some of the activities supported so far include establishing NGO data bases in Bolivia, Colombia, and Trinidad and Tobago; providing drinking water to rural communities in the Dominican Republic; supporting women's enterprises in Ecuador and Peru, and self-help initiatives in the marginal areas of Quito, Ecuador; organizing a seminar on project planning and evaluation for NGOs operating in Haiti; supporting grass-roots training and income-generating activities in Jamaica; strengthening business and marketing capacities of rural organizations in Panama; and supporting participatory research and advocacy activities to promote environmental awareness and preservation of a national reserve in the Lago Titicaca area of Peru. In Panama, the UNDP field office held a seminar to foster co-operation between the Government and NGOs.

5. Management Development Programme

35. The economic decline of Latin America and the Caribbean in the 1980s, accompanied by social ills and critical poverty, gives urgency to the need of Governments to implement effective policies of structural adjustment and sustained economic growth that will also provide improved opportunities for the poorest. However, most Governments recognize that their institutions have remained too centralized and bureaucratic, often growing to excessive proportions, and need to be adapted to meet the challenge. These weaknesses are so severe that the reform of the State apparatus is now a high priority for the region. In order to support these efforts at reform, the Management Development Programme (MDP) has been utilized in 10 countries (Argentina, Bolivia, Colombia, Ecuador, Guyana, Haiti, Honduras, Paraguay, Uruguay and Venezuela) and has focused on civil service reform, decentralization, streamlining of the State apparatus, and restructuring of line ministries and public enterprises.

D. Co-ordination of assistance

36. The improved effectiveness of United Nations operational activities at country and headquarters level has been a major focus in 1989. General Assembly resolution 44/211 of 22 December 1989 set the stage for system-wide changes at the managerial and organizational levels. RBLAC looks forward to the prospect of more effective co-ordination and further decentralization of operational activities among agencies of the United Nations system at the field level. The strengthening of national capacities through the expansion of the national execution modality, as well as focusing on programme-oriented approaches, are other elements for achieving increased operational effectiveness. The Regional Bureau, in concert with its field offices, has already undertaken various initiatives throughout the year with a view to strengthening co-ordination efforts, a few of which are outlined below.

37. In June 1989 the President and senior associates of IDB met with the Associate Administrator of UNDP and senior staff of the Regional Bureau to exchange views on opportunities and modalities of co-operation between the two organizations. After a fruitful discussion of the major problems and challenges facing the region, the actual and potential roles and capacities of UNDP and IDB, as well as priority fields for co-operation (research studies, co-ordinated action in poverty alleviation, science and technology, and the environment), a memorandum of understanding was signed as a first step towards the adoption of a far-reaching co-operation agreement between the two organizations. Future efforts will concentrate on translating the agreement into pragmatic project-related initiatives at the country and regional levels.

38. In 1989 UNDP participated in World Bank-led Consultative Group meetings for Bolivia, Costa Rica, Guatemala and Honduras. At the Consultative Group meeting for Bolivia, a national investment plan for the social sectors was presented and subsequently supported by the World Bank, UNDP, IDB and major bilateral donors; a permanent subgroup on the economic aspects of coca production and trade was also created in which UNDP is participating. In the case of Costa Rica, UNDP assisted the Government in the formulation of its first Strategy for Technical Co-operation. In Guatemala, the World Bank requested UNDP assistance with the formulation of technical assistance priorities and an inventory of technical assistance activities. UNDP was particularly supportive in the preparation of the Honduran position, and it is promoting technical co-operation activities to strengthen the country's investment and management capacity, while improving the living conditions and productivity of social groups. In Peru, the UNDP office assisted in maintaining the policy dialogue between the Government and the World Bank.

39. An important initiative undertaken last year at the country level was the launching of a National Technical Co-operation Assessment and Programmes (NaTCAP) exercise for Haiti. It is aimed at helping the Government to set up a data base system of technical assistance projects and programmes; define a national technical co-operation policy; establish an institutional co-ordination mechanism with the participation of NGOs, the private sector and the donor community; and prepare a national strategy for the identification of technical assistance needs and priorities. MDP assistance has been initiated concurrently with the NaTCAP with

the aim of improving the efficiency of the public sector and strengthening the Government's capacity to utilize external assistance.

40. At the regional and subregional level, UNDP is actively assisting groups of countries to look at common problems in a shared and co-ordinated way, e.g., Andean countries, Amazon countries, Central America and the Caribbean.

41. A major highlight of the year was the RBLAC Regional Meeting, held in San José, Costa Rica, in September 1989 with resident representatives, senior UNDP and Regional Bureau staff, representatives of agencies of the United Nations system, and heads of regional organizations. The meeting was inaugurated by the President of Costa Rica and Nobel Peace Prize winner Oscar Arias Sanchez; the Director-General for Development and International Economic Co-operation, United Nations Secretariat; the Administrator of UNDP; and the Regional Director. It provided an excellent opportunity for all participants to exchange experiences and points of view on regional perspectives, co-ordination and operational issues, and specific matters of mutual concern. The general conclusions of the meeting were that UNDP should concentrate and continue its technical co-operation efforts in four areas: the reform of the State; environment and development; alleviation of critical poverty; and science and technology. It was also determined that innovative programme initiatives should be contemplated and undertaken on a subregional basis to deal with issues that are common to particular countries or regions. Finally, it was concluded that further decentralization of authority for programme and administrative matters should be pursued in order to facilitate field office support to nationally executed projects.

III. REVIEW OF SELECTED COUNTRY AND REGIONAL PROGRAMMES AND PROJECTS

A. Country programmes of Latin America

42. As demonstrated by the conclusions of the six mid-term review exercises which took place in 1989, the approved fourth cycle country programmes continued to be relevant to the technical co-operation needs of the Latin American countries, with some minor adjustments in emphasis. These exercises also found that project implementation levels are, in general, satisfactory and that the exercise was particularly useful in those countries where a change of government has taken place or is imminent.

43. During 1989, there was increased emphasis in the following areas: public sector management, critical poverty alleviation, science and technology, the environment and agriculture. These areas of emphasis may be highlighted in three countries.

44. One of the areas of focus of the Brazil country programme is management of the environment. Currently, there are 25 projects being implemented which have an environmental component. One such project is integrating environmental concerns into hydroelectric undertakings in the Amazonian region with a view to preserving Amazonian ecosystems and mitigating environmental damage. ELETRONORTE, a regional

electrical company in the northern Amazonian region of Brazil (which comprises 58.7 per cent of the country's territory and 45 per cent of the nation's estimated hydroelectric potential), is charged with the construction of seven new hydroelectric plants which, in addition to three nearly completed plants, will produce approximately 22,914 MW of power, thereby solving the problem of electrical power shortages. The project will assist ELETRONORTE to carry out environmental impact studies and a public information programme; regulate the utilization of reservoirs; monitor health conditions; and utilize new integrated housing schemes. So far, in little more than one year of implementation, the project has established an ELETRONORTE data bank, analysing and classifying 300 documents; has successfully applied a pilot environmental education programme in Rondonia; and carried out field research on the identification of fish species in the Araguaia-Tocanins Basin and two epidemiological surveys on the health impact in the area of the Balbina dam.

45. Scientific and technological development is the corner-stone of the fourth country programme in Chile. The mid-term review of this programme was submitted to the Governing Council at its thirty-sixth session (DP/1989/73/Add.1). During 1989, work continued in several advanced technological areas such as: research in the areas of biotechnology, and genetic and computer engineering designed to solve problems with relevant socio-economic impact mainly in the health and agriculture sectors; and professional training programmes in technological management of productive enterprises. In the area of biotechnology research, one project is endeavouring to initiate a new algal biotechnology industry based on the production of B-carotene from the extraction of a micro-alga (Dunaliella) for international commercialization. Natural B-carotene is consumed as a health food, used as a food and feed additive, and for research in cancer prevention. To date, the project has successfully established a pilot laboratory in the northern part of the country and two ponds for harvesting, and various studies have been carried out on nutrient requirements and harvesting techniques with the involvement of universities and an industrial partner. Future project activities will focus on research on extraction techniques and actual harvesting. Moreover, a search will be conducted for an industrial partner to obtain additional funding and acquire marketing expertise for research on the potential commercial viability of production.

46. The agricultural sector is of particular importance to the country programme of the Dominican Republic. An important project is assisting in improving the management of dairy enterprises in the eastern region of the country. This UNDP/FAO-supported project is a co-operative venture between the Government, the private sector and the National Agrarian Bank. The project expects to increase milk production from 90 to 289 million litres per year, in a five- to six-year period; establish a four-year technical assistance programme for the farmers, managed and financed by the private sector; and improve commercial links between farmers, industries and consumers. In one year of implementation the project has successfully started the technical assistance programme and the development of the marketing system.

47. The relatively limited IPF resources assigned to the countries are used catalytically to attract and manage, in an integrated fashion, resources from internal, bilateral and/or multilateral sources. This was particularly so in 1989, and two clear examples are Argentina and Bolivia. In Argentina, the UNDP office is

currently administering cost-sharing funds from different sources in the amount of approximately $122 million, around a country programme with IPF resources of only $7.1 million. In Bolivia, the IPF of $23 million is complemented by some $120 million from other sources, principally IDB in an innovative arrangement which forms the basis for expanding UNDP and IDB co-operation throughout the region.

48. During 1989, 28 in-depth project evaluations were carried out in nine countries. One of these covered three micro-irrigation projects in different areas of Bolivia. The evaluation of these projects, which were innovative in design and incorporated elements such as appropriate technology, community participation, and emphasis on the role of women, confirmed that the projects have been very successful in increasing significantly farmers' productivity.

49. In nearly all countries, seminars on subjects of special relevance and concern, namely the environment and the private sector, have been held. An increasing number of projects are reviewing their impact on the environment and are trying to implement measures in this area, as in the case of Brazil.

50. The role of women in development and the participation of NGOs have been stressed in several countries. The participation of NGOs in country programme implementation is significant. NGOs in Argentina, Bolivia, Brazil, Haiti, Paraguay and Peru have an important role in the implementation of specific projects.

51. Another characteristic of the programmes is the importance given to TCDC. Special mention should be made of the country programme of Argentina, which has developed close links of co-operation not only with other Latin American countries, but also with several African and Asian countries. Other examples are Brazil, with its co-operation with Latin America and Africa, and the Dominican Republic and Panama whose activities are predominantly in the Latin American region. Among the fields of TCDC co-operation are industry (light and heavy), agriculture and health.

B. Central America

1. Country programmes

52. The common features of programmes in Central American countries continue to be support to the public sector, to economic reactivation efforts and to social development. A recent trend is the increased interest in technical support for social development within government strategies.

53. Mid-term country programme reviews are being completed or planned for the first quarter of 1990. The mid-term country programme review of Nicaragua shows that there has been a sustained level of implementation and that the objectives of the country programme remain valid. It has been possible to sharpen these in areas of concentration aimed at supporting the peace and integration process, economic stabilization, modernization of the State through social development policies, and the promotion of medium- and long-term economic reactivation.

54. There has been a considerable increase in the level of resources managed by UNDP in the subregion over and above the IPF levels including Government and third-party cost-sharing and management services agreements. There has also been an increase in the co-ordinating role of UNDP, particularly with respect to the implementation of the Special Plan of Economic Co-operation for Central America. Taking this into account and the increased participation in consultative groups, UNDP has commissioned a study to recommend methodologies for the programming of technical co-operation that respond to the economic priorities of the countries and relate to their public investment plans and sectoral policies.

55. Costa Rica is preparing for the implementation of a pilot project with innovative characteristics in technology management within the Industrial Reconversion Programme of Costa Rica. It involves a heavy participation of the private sector, which contributes with financial resources and its work to the pilot scheme. With $1.3 million in government cost-sharing funds, a UNDP contribution of $721,121 and a contribution by private enterprises estimated at approximately $3.4 million, enterprises producing metal-mechanic, micro-electronic computer information, liquid combustibles and chemical-pharmaceutical products, as well as those handling electric energy and telecommunications, will acquire modern computerized and management techniques to increase productivity and exports. This pilot project will also help to prepare research and development projects to be financed within the framework of an IDB loan of $34 million.

56. In Guatemala, UNDP is assisting micro-enterprises through a support scheme with third-party cost-sharing financing from the Netherlands ($762,800) aimed at providing 40,000 micro-entrepreneurs with credit and technical assistance programmes which are administered by local NGOs. The project is extending the successful experience from the capital to 15 cities in the south-west region of the country. This is expected to provide the basis for a further multiplication of the scheme on a national basis.

2. Special Plan of Economic Co-operation for Central America (PEC)

57. The Special Plan was launched in September 1988 with the approval of a three-tier mechanism for its implementation. One of the main objectives of the mechanism is the preparation of the technical documentation required to present bankable projects to the international donor community, as well as the formulation and implementation of projects to strengthen regional institutions.

58. As the lead agency for the implementation of PEC, UNDP during 1989 approved 21 projects valuated at $11,224,000. Of this amount, $7,552,000 is being charged to SPR (with financing from the $20 million SPR approved by the Governing Council at its thirty-fifth session in June 1988), with the balance being covered by co-financing on parallel financing. By the end of 1989, a further 14 projects, valuated at $88.1 million, were at the final stages of approval. Of this amount, $1,386,000 is to be charged to SPR, with the balance to be covered by cost-sharing.

59. In connection with institutional aspects and management, a UNDP-financed project was initiated during 1989 to support the Central American Governments in

the implementation of PEC. UNDP field offices were strengthened through training courses for PEC national officers, and three meetings were organized with resident representatives in the region. Training was also given to government and UNDP PEC officers in the use of the PEC computerized information system.

60. During 1989, in close consultation with the Central American Governments, regional institutions, international organizations which participate in PEC's implementation mechanism (World Bank, IMF, IDB, the Organization of American States (OAS) and ECLAC), and with agencies of the United Nations system, substantial progress was achieved in the following areas.

(a) Assistance to refugees, returnees and displaced persons

61. UNDP co-operated actively with the Office of the United Nations High Commissioner for Refugees (UNHCR) in the preparation of the technical documentation for the International Conference on Central American Refugees (CIREFCA), held at Guatemala City in May 1989. In order to implement the Plan of Action adopted by the Conference (co-operation in the formulation of strategies and projects of assistance to refugees, displaced persons and returnees in Central America), UNDP assisted Governments inter alia in the formulation of project proposals. The five Central American countries, plus Mexico and Belize, require an estimated $300 million during the next three years to assist uprooted populations (estimated at 2 million persons) with emphasis on development-oriented programmes aimed at permanent solutions. Lastly, UNDP actively participated with UNHCR and the Office of the Secretary-General in the preparation of the first follow-up meeting with the donor community scheduled for the end of April 1990 in New York.

62. In connection with the Italian contribution of $115 million for a Programme of Assistance to Displaced Persons, Refugees and Returnees (PRODERE), UNDP finalized the subprogrammes for the five Central American countries and Belize, including detailed work programmes for 1990. This work was undertaken in close consultation with the Governments and in collaboration with the Government of Italy, UNHCR, ILO, and the Pan American Health Organization (PAHO)/World Health Organization (WHO). Activities were initiated for a total of $4 million, and formal approval of the work programmes was scheduled for February 1990.

(b) Reform of the Central American Monetary Stabilization Fund (CAMSF)

63. The UNDP-financed project, whose objective was to propose the restructuring of CAMSF in order to mobilize resources to cover requirements of approximately $400 million over the next five years, was finalized. The proposal was approved by the central banks of the five countries.

(c) Agriculture

64. The first year of implementation of the Technical Assistance for Agricultural Development (RUTA) II project ($4.4 million), executed by the World Bank and co-financed by UNDP, the Government of Japan and the International Fund for Agricultural Development (IFAD), constitutes a major step forward in the provision of advisory services and training for sectoral policy formulation and for the

elaboration of bankable investment projects. UNDP also actively supported efforts by the Ministries of Agriculture and regional institutions in the preparation of the technical documentation, including project proposals, aimed at convening the first meeting with the donor community on the agricultural sector scheduled for September 1990.

(d) Electrical sector and telecommunications

65. The UNDP-financed project Regional Development and Integration of the Electrical Sub-sector (DIEICA) (Phase I), executed by the World Bank with ECLAC as associated agency, was successfully implemented. The documentation, including 98 prioritized project profiles (investment and technical assistance requirements) for a total of $230.2 million, was approved by the Central American electrical companies. The first meeting with the donor community is scheduled for late March 1990. Secondly, project DIEICA (Phase II) was formulated and approved by the Central American electrical companies, UNDP, the World Bank and ECLAC, with the objective of increasing the administrative, financial, operational and commercial efficiency of the utilities companies.

66. A UNDP-financed, International Telecommunication Union (ITU)-executed project assisted the Central American Technical Commission for Telecommunications (COMTELCA) in assessing the situation of the sector, and in determining its co-operation needs. A proposal has been formulated in order to prepare the required technical documentation (investment and priority technical co-operation) for a first meeting with the donor community to be held during the last quarter of 1990.

(e) Central American Bank for Economic Integration (CABEI)

67. A UNDP-financed preparatory assistance mission formulated a large-scale project in two phases aimed at the financial and organizational restructuring of CABEI. This effort was closely co-ordinated with the United States Agency for International Development (USAID), the European Economic Community (EEC), the World Bank and IDB, and it is expected that it will facilitate the subscription by extra-regional shareholders of a significant amount of convertible currencies ($200 million) to strengthen the Bank's equity capital.

(f) Social sectors

68. The major initiative reflected in PEC in the health sector (including nutrition, drinking water and sanitation) is the PAHO/WHO-sponsored effort "Health: A Bridge for Peace for Central America and Panama", which as at 31 December 1989 had mobilized $150 million in regional projects. Priority areas of UNDP collaboration are: health management; and women, health and development. UNDP funding is under study for a major initiative in the environmental area focusing, inter alia, on pesticide use and toxic waste control, and water quality control. It is noteworthy that an in-depth evaluation of this programme is under way, including a revision of the project portfolio.

69. UNDP is collaborating actively with the World Bank and PAHO in addressing the lack of resources for nutrition assistance and improving the targeting of these resources so they can more effectively reach the poorest population. This is being accomplished through the organization of donor meetings, consultant services, and seminars.

70. Furthermore, UNDP is financing a pre-feasibility project for the production of highly nutritional flour to be used in nutrition programmes in the region. The technology was developed by the Nutrition Institute for Central America and Panama (INCAP).

71. UNDP collaborated in an initiative of the United Nations Centre for Human Settlements (UNCHS) with the Government of Finland and the Central American Governments aimed at formulating a regional programme to strengthen the capacities of local authorities in the field of settlements and shelter improvement.

72. In addition to the above-referenced areas, during 1989 UNDP initiated preparatory works and/or financed projects related to: the environment; regional development; tourism; industrial reconversion; micro-industries (handicrafts); automation of customs clearance procedures; and strengthening of regional institutions.

C. Caribbean programmes

73. UNDP continues to provide support to the Caribbean countries at both the national and the regional level through programmes and projects seeking to promote small-farm agriculture, statistical development, education, housing, the improvement of customs administration, physical planning, economic management, hydropower development, water resources development, housing development, telecommunications, trade information services, meteorology, operational hydrology, small enterprise development, and tourism development.

74. During 1989 mid-term country programme reviews were carried out for 18 of the 20 Caribbean programmes. In general, the reviews underlined the continued relevance of the objectives of the various programmes, although a number of new needs have been identified and will be accommodated within the broad objectives of the programmes. These reviews will serve as an important input in the preparation of the fifth cycle country programmes.

75. In the implementation of the country programmes, special emphasis has been placed on the utilization of cost-effective modalities such as the Transfer of Knowledge through Expatriate Nationals (TOKTEN), TCDC, the United Nations Volunteers (UNV) and use of national and regional experts in order to maximize the use of the limited IPF resources available, especially in the case of the smaller countries. National execution has also been used to an increasing extent, particularly in the case of Jamaica.

76. Resources have been provided under the Management Development Programme (MDP) to assist the Government of Guyana to carry out a review of the management

requirements to sustain the Economic Recovery Programme (ERP) agreed with the World Bank and IMF. Assistance from MDP is also earmarked for the small islands of the eastern Caribbean under a subregional project.

77. The following sections describe the main elements of the UNDP programmes in Guyana, Jamaica and Saint Lucia and the various activities carried out thereunder.

Guyana

78. In response to the continuing decline in the economy during the past five years and the adoption in 1989 of an Economic Recovery Programme, as agreed with IMF and the World Bank, UNDP has assisted the Government of Guyana to carry out an overall technical co-operation needs assessment as well as the identification of the specific management requirements to sustain the Programme. In addition, UNDP and other organizations and agencies of the United Nations system, such as UNICEF, the United Nations Population Fund (UNFPA), the World Food Programme (WFP), ILO, and FAO, are assisting the Government to put in place a social impact amelioration programme to deal with the adverse social impact of the adjustment process.

79. In view of its involvement in these areas, UNDP has been accorded a central co-ordinating role in relation to the activities of other multilateral and bilateral donors. UNDP currently chairs both a Steering Committee which manages technical assistance under the interim macro-economic management project and a Donors' Committee which brings together multilateral and bilateral technical assistance donors in the context of the implementation of the wider Economic Recovery Programme.

Jamaica

80. The Jamaica country programme has been undergoing important adjustment in the light of the national disaster, Hurricane Gilbert, in late 1988 and the change of Government in February 1989.

81. Consequently, the main thrust is now improved public sector management and implementation capacities with reference to the social sector, in particular health, education and housing. Within this overall thrust, emphasis is also being placed on facilitating the formulation of the Government's 1991-1995 development plan and strengthening the country's national planning capability with special reference to the co-ordination and management of international technical co-operation. Movement towards this new thrust had, however, been initiated since June 1987 at the meeting of the Caribbean Group for Co-operation in Economic Development (CGCED) held in Washington, D.C. at which the Government's Social Well Being Programme (later renamed the Human Resources Development Programme) was formally endorsed.

82. The Government of Jamaica and UNDP are now engaged in the final stage of project design for these interventions, which also foresee substantial cost-sharing, co-financing and co-operating arrangements with the World Bank and IDB. Those banks have approved loan resources in excess of $90 million for substantial infrastructural development.

83. UNDP grant funding resources, in the region of $1 million, will complement these capital and other costs and will concentrate on skills upgrading, review and improvement of management practices, efficient and effective procedures, and the establishment of computerized data bases and monitoring systems.

Saint Lucia

84. Three years into the implementation of the programme, the two main objectives of the programme, namely, agricultural development and diversification and institutional strengthening of the public sector, remain valid and are supported by a number of projects. Two projects of particular relevance are: (a) an agricultural pilot project which is designed to determine the feasibility of cashew and macadamia nut cultivation on previously uncultivated marginal lands; the project is being implemented through the TCDC modality with assistance provided by the Government of Brazil; and (b) a multi-sector development project which focuses on the reform of the civil service. The project has assisted the Government in the preparation of a reclassification manual for all civil service positions, the establishment of a comprehensive human resources management information system, and the review and revision of all legislation relating to personnel management in the public sector.

D. The regional programme

85. The technical co-operation strategy of the regional programme is translated into three broad programme objectives, namely, the alleviation of critical poverty and promotion of equity and employment; the stimulation of self-reliant growth; and the promotion of science and technology for development. In addition, a number of complementary sectoral activities have been included as a fourth objective in order to take account of some additional specific subregional needs, sectoral initiatives of importance to the region as a whole and activities designed to stimulate regional co-operation as well as technical and cultural integration.

86. Technical assistance on the administration of Central America's debt is being provided in a project executed by the United Nations Conference on Trade and Development (UNCTAD) and ECLAC. It will help to establish a computerized information system for debt monitoring and follow-up in each Central American country. Another project has finalized a draft proposal to restructure the Central American Monetary Stabilization Fund. UNDP is also financing short-term consultancies in Bolivia, Ecuador and Venezuela to address problems of low economic growth, high debt and high inflation. These nations are advised by a team of economists from Harvard University led by Professor Jeffrey Sachs.

87. ECLAC, which plays a major role in the promotion of economic and social development throughout the region, is directing a UNDP-funded project aimed at defining policies for the economic recovery and development of the region. Project experts are helping national economic teams to design regional strategies for adjustment and stabilization, as well as singling out national problems that could benefit from a regional approach. By drawing on the knowledge of institutions in the region, the project is helping to develop a network of academic, public and private experts in Latin America and the Caribbean.

88. Programme support for strengthening the region's trade capabilities is an integral element - along with debt management and economic adjustment policies - of a comprehensive approach designed to improve the region's economic position. The region's position in the General Agreement on Tariffs and Trade (GATT) Uruguay Round of trade talks is hammered out at SELA (Latin America Economic System) where, with the support of UNDP's regional programme, Governments assess the likely impact of trade proposals put forward by other countries in the GATT negotiations. Also, an UNCTAD/ECLAC-executed project focuses on strengthening the national mechanisms of monitoring of the GATT Uruguay Round. To this effect, seminars were organized with the participation of government officials, entrepreneurs and national research institutions. Technical assistance was also provided to the Latin American delegations in Geneva on different issues arising from the negotiating groups. Another project supports export promotion within the region through the Latin American Integration Association (ALADI), which is a key player in promoting regional trade and integration. Support for regional integration, which historically has been most successful when based upon removal of trade barriers, remains a basic theme of the regional programme.

89. The past decade has been marked by a sharp decline, not only in terms of trade for traditional primary products exported by the region, but also in its competitive position. There is no doubt that, compared to other regions, Latin America has lost relevance and dynamism in the global economy. Against this background, the regional programme has been assisting Governments in the modernization of the productive sector, involving two main and interrelated lines of action: scientific and technological development including, in particular, applied technology; and enterprise management, structure and financing.

90. Critical poverty is another example of an exceptional need for which Governments have turned to the regional programme. The regional programme, through the poverty eradication project, is working with 16 Governments on possible approaches and policies to assist most needy people, including self-help responses to the economic crisis. Also through ILO's Regional Employment Programme for Latin America and the Caribbean (PREALC) the programme is assisting Governments in formulating policies to address the social debt issue and to assess the impact of macro-economic policies on employment and income-generation.

91. Implicit in these programmes is an emerging consensus that a strong state capable of managing and implementing more sophisticated and just economic and social programmes is a prerequisite for reinvigorating development. The regional programme is, in addition to national initiatives pursued through MDP, helping Governments to become more efficient through programmes that range from civil service reform to decentralizing authority and increasing opportunities for citizens and NGOs to carry out their own initiatives. One project provides technical advisory teams that are helping Governments to set up policy advisory bodies in presidential offices, as well as strengthen co-ordination between executive branch financial and administrative ministries.

92. Taking into account the qualitative dimension of a region's development, the regional programme has supported the fundamental cultural dimension of the development process with a view not only to preserving cultural independence and

sovereignty, but also to reinforcing cultural identities. A cultural heritage project encompassing 29 countries includes activities ranging from the preservation and conservation of particular objects and monuments to the understanding and enhancing of their role in the context of their environment. Responding to the region-wide municipalization trend, the project, through research, training, policy-oriented colloquia and seminars, publications and concrete preservation programmes, has focused on the integration of cultural assets in processes of urban development.

93. Operationally, the regional programme is giving priority to taking advantage of new communications technology to improve management capabilities. The establishment of a Regional Programme Management Plan (RPMP) on-line system should encourage greater participation by Governments and field offices in all stages of the project cycle. This system will enable field offices, government focal points and project managers to access programme data and exchange information through the use of electronic mail and computer conferencing.

94. Overall delivery rates have remained high: 75 per cent in the current cycle. Cost-sharing contributions have doubled the amount for 1988, thereby demonstrating a growing demand for regional programme action.

95. A mid-term review of the Third Regional Programme for Latin America and the Caribbean that was started in 1989 will provide the basis for collective consultations with Governments in early 1990. Its main purpose was to consider the policy relevance of the regional programme and its responsiveness to a highly dynamic context. It is anticipated that greater attention will be given to building upon the initiatives undertaken in improving data communications networks and accelerating the advance of science and technology. New issues being addressed include support to high-level political initiatives such as those of the Group of Eight, and the Commission of Latin America and the Caribbean on Development and the Environment which is sponsored jointly by UNDP and IDB.

Notes

1/ See Preliminary Overview of the Economy of Latin America and the Caribbean 1989 (LC/G.1586 of 29 December 1989).

2/ See Report of the United Nations Conference on Technical Co-operation among Developing Countries, Buenos Aires, 30 August-12 September 1978 (United Nations publication, Sales No. E.78.II.A.11 and corrigendum).

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PROGRAMME PLANNING

Preparations for the fifth programming cycle and net contributor status

Report of the Administrator

Summary

The present report has been prepared to facilitate the taking of decisions by the Governing Council on the level and allocation of resources for the fifth programming cycle, which will commence on 1 January 1992. Addendum I contains resource scenarios which illustrate the consequences of certain options for the allocation of resources to indicative planning figures that the Council may wish to consider. The report also contains details on activities that might be financed from Special Programme Resources. It also deals with the issue of net contributor status and other fifth cycle matters. Previous documentation dealing with this subject is contained in reports submitted to the Council under document symbols DP/1989/67, DP/1989/74 and DP/1990/8.

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INTRODUCTION

1. The Governing Council, at its special session in February 1990, reviewed the note by the Administrator on preparations for the fifth programming cycle contained in document DP/1990/8, which contained various resource scenarios for the fifth cycle, as well as a number of simulations for resource distribution illustrating the consequences of options for the allocation and utilization of resources. The note prepared in response to decision 89/45 of 30 June 1989 also dealt with issues relating to net contributor countries as well as to proposals for the allocation of resources for the Special Programme Resources (SPR). To avoid repetition on matters previously covered, this document should be read in conjunction with documents DP/89/74 and DP/1990/8. As also requested in decision 89/45, the Administrator held several informal consultations with members of the Programme with respect to, inter alia, the total resources likely to be available during the period 1992-1996, as well as their distribution. Additional consultations are scheduled for April and May 1990.

2. This document has been prepared in response to decision 90/4 of 23 February 1990. In paragraph 4 of that decision, the Governing Council requested the Administrator to prepare a synopsis of views and proposals made during the course of the debate at the special session of the Governing Council in February 1990. The synopsis is available to delegations as a background paper. In paragraph 7 of the decision, the Governing Council requested information on the availability and coverage of various data on factors of supplementary criteria as well as other factors. This information appears in annex I. Options for the allocation of resources to individual country indicative planning figures (IPFs) are contained in addendum I.

I. RESOURCES FOR THE FIFTH PROGRAMMING CYCLE

3. In document DP/1990/8, four possible resource levels for the fifth cycle we considered, starting from a base in voluntary contributions of $980 million in 1991 and assumed growth rates of 6, 8, 10 and 12 per cent. Table 1 shows the possible use of resources for the fifth programming cycle under six different assumptions of growth in voluntary contributions and with a base of $1,000 million in voluntary contributions in 1991. The scenarios for distributing resources to IPFs that are provided in addendum I are based on assumed 10, 8, 6 and 4 per cent rates of annual growth in voluntary contributions. The scenarios based on 8 per cent growth provide for comparability with fourth cycle IPFs as well as with the scenarios prepared for the informal consultations and for the special session of the Council in February 1990. The scenarios based on 10 per cent growth in contributions have been prepared to conform with certain aspects covered in document DP/1990/20, which deals with the funding strategy for UNDP. The scenarios based on 4 and 6 per cent growth have been provided at the request of several countries. It should be noted that all scenarios are provided for illustrative purposes. The rate of resource growth in the fifth cycle to be used in the final IPF calculation is a matter to be taken up in the context of the debate on the fifth cycle resources. Similar illustrative IPF distribution scenarios could be prepared under different resource growth assumptions if Governments so request.

Table 1. Resources and use of resources for the fifth programming cycle: six alternatives

(Millions of United States dollars)

Item	Alt.1	Alt.2	Alt.3	Alt.4	Alt.5	Alt.6
1991 voluntary contribution base	1 000	1 000	1 000	1 000	1 000	1 000
Estimated annual growth rate in voluntary contributions 1992-1996	4%	6%	8%	10%	12%	16%
Growth of voluntary contributions in real terms at 6 per cent assumed rate of inflation	-2%	0%	2%	4%	6%	10%
Voluntary contributions	5 633	5 976	6 336	6 715	7 115	7 977
Other income	153	159	165	172	179	194
Total resources	5 786	6 135	6 501	6 887	7 294	8 171
Resources available for IPF and SPR	3 932	4 215	4 521	4 836	5 170	5 884
Other uses a/	1 854	1 920	1 980	2 051	2 124	2 287

a/ A breakdown of the use of these resources, for example, under alternative 3, with 8 per cent growth in voluntary contributions, would be as follows. SIS $15 million, sectoral support $30 million, UNDP administrative and programme support $1,158 million, UNDP special programme support activities $97 million, agency support costs $590 million, increase in the operational reserve $90 million. Total $1,980 million.

4. Several delegations stated at the special session of the Governing Council in February 1990 that, as a minimum, programme activities should not decrease in real terms from the fourth to the fifth cycle. To achieve this objective, the fourth cycle IPFs and SPR of $3,845 million should be increased by 33.8 per cent to $5,145 million. If the 1991 base for the calculation of the fifth cycle IPFs is estimated at $1 billion, voluntary contributions would need to grow at a rate of more than 10 per cent, to $7,105 million, to permit a $5,145 million programme in the fifth cycle. The main reasons for the difference between the level of growth in voluntary contributions required to maintain the same IPF delivery and the 6 per cent rate of inflation are as follows. By the end of the fourth cycle, voluntary contributions are expected to have grown by an overall average of 7 per cent. Although they grew quite rapidly at the beginning of the cycle, the rate of growth has since slowed down considerably. If contributions grew at a uniform 7 per cent throughout the cycle, they would reach approximately

$1,100 million in 1991. On the other hand, fifth cycle programme expenditures have been calculated on the basis of total programme expenditures during the fourth cycle, and not on the basis of projected expenditures in 1991, the last year of the fourth cycle. Thus, the base of $1,000 million in 1991 - from which fifth cycle voluntary contributions are calculated in this document - is not the equivalent of the base from which fifth cycle programme expenditures are projected. Second, the exceptional income from gains on currency exchange and investments in the fourth cycle permitted a level of programme in excess of what would have been possible only with voluntary contributions and the originally anticipated income from investments. It cannot be assumed that similar gains on currency exchange and investment income will be available in the fifth cycle.

5. It should be noted that the assumed level of resources will have a direct impact on the outcome of distribution of resources for IPFs and the relative IPF shares of various groups. This is particularly evident if the Council decides to maintain the floor principle in the calculation of country IPFs. As the floor principle takes precedence over any other criteria that are used in determining the level of country IPFs, an assumed low level of resource growth provides little room for increased IPFs to non-floor countries. Conversely, an assumed high level of growth benefits most countries, even after reflecting the floor adjustment for the entitled countries. More details on the floor and ceiling principles are contained in document DP/1989/74, paragraphs 48 through 54.

II. DISTRIBUTION OF FIFTH PROGRAMMING CYCLE RESOURCES

A. Distribution between country and inter-country IPFs

6. Most delegations stated at the special session of the Governing Council in February 1990 that the current distribution between country and inter-country IPFs at 81 per cent and 19 per cent respectively should be maintained, with several countries underscoring the importance of the inter-country programmes. In accordance with decision 85/16 of 29 June 1985, 79.5 per cent of the resources allocated to inter-country programmes were allocated to the regional programmes, 8 per cent to the interregional programme and 12.5 per cent to the global programme. The Administrator wishes to reiterate his proposal to increase the share of inter-country resources from 19 to 20 per cent with the major portion of this increase to go to the interregional and global programmes. As the mid-term review of the interregional and global programmes (DP/1990/38/Add.10) demonstrates, these resources have been utilized most effectively, with the demand on such funds well exceeding available resources.

B. Criteria for determining country IPFs

7. Based upon the statements of delegates, the Administrator is of the view that there is a consensus on the use of the basic criteria of gross national product (GNP) per capita and population for the calculation of fifth cycle IPFs. It is expected that 1989 GNP data will be available by the middle of 1990 to permit the use of the latest data for final IPF calculations. In the fourth cycle, 80 per cent of IPFs has been allocated to countries with per capita GNP of $750 and

below, with 20 per cent allocated to countries with per capita GNP above $750. Several resource scenarios included in document DP/1990/8 and addendum I to this document have been calculated on this basis. Based on 1988 GNP data, the composition of the groups of countries above and below $750 per capita GNP has changed to such an extent that 83 per cent of IPFs would now need to be allocated to countries with GNP per capita below $750, using the criteria established in decision 85/16, to avoid the countries in this group receiving a disproportionately low share of IPFs. Alternatively, the cut-off point of $750 will have to be lowered.

8. In accordance with decision 85/16, the weight of supplementary criteria in calculating IPFs is 25 per cent versus 75 per cent for basic criteria. The supplementary criteria proposed for the fifth cycle are included in document DP/1990/8, paragraphs 34 through 40. At the special session in February 1990, some delegations proposed that no supplementary criteria should be used for the calculation of IPFs, while others emphasized the importance of those criteria.

9. Several delegations stated that the majority of resources available for distribution to country IPFs should be allocated to low-income countries particularly to least developed countries (LDCs), in accordance with General Assembly resolution 44/211 of 22 December 1989 and the Council's decision 89/20 of 30 June 1989. The total assistance provided to LDCs during the cycle, which was requested by several delegations, is listed in annex II.

10. With respect to a possible upward revision of IPFs during the cycle, should resources permit such an action, the Council may wish to authorize the Administrator to increase the IPFs in accordance with the criteria adopted in paragraph 6 of decision 88/31 of 1 July 1988. Any decrease in IPFs which may become necessary should be done on a pro rata basis. The establishment of clear formulas now will render lengthy negotiations unnecessary at the time that a revision may be required.

C. Criteria for determining regional IPFs

11. The present methodology distributes the regional IPFs as follows:
(a) 85 per cent on the basis of the share of country IPFs for each region;
(b) 15 per cent on the basis of supplementary criteria established for the regional programmes. Since this methodology affects the distribution of resources among regional IPFs in only a limited way, the Administrator proposes that for the fifth cycle the distribution of regional IPFs be modified. One option is to base the distribution only on the share of country IPFs for each region. Alternatively, the Council may wish to increase the percentage of regional resources allocated on the basis of supplementary criteria to, say, 25 per cent. Such an arrangement is likely to have a more significant impact. The supplementary criteria used in the third and fourth programming cycles for the allocation of regional IPFs are listed in paragraph 10 of decision 80/30 of 26 June 1990.

D. National liberation movements, IPFs and multi-island IPFs

12. The fourth cycle IPF for national liberation movements (NLMs) amounts to $11.97 million. The beneficiaries are currently the South West Africa People's Organization (SWAPO), the African National Congress (ANC) and the Pan Africanist Congress of Azania (PAC). The Administrator proposes that the IPF for NLMs be established at the same level of the fourth cycle IPF, namely $11.97 million, as SWAPO is no longer a beneficiary of assistance under this heading. The Administrator also proposes that the level of the two multi-island IPFs for the Caribbean and for the Pacific Islands be maintained at the level of $2.93 million each.

III. SPECIAL PROGRAMME RESOURCES

13. This chapter has been prepared in response to paragraph 11 of decision 90/3 and paragraph 4 of decision 90/4 adopted by the Council at its special session in February 1990, which requested the Administrator, inter alia, to make proposals on a coherent SPR policy and on arrangements for the planning and the programming of SPR activities, relating these to country programmes, as well as to the inter-country activities of UNDP.

14. As the successor to the Programme Reserve, the SPR component has become an increasingly valuable and dynamic part of the total resources of UNDP. In financial terms, they amount to $189.5 million for the fourth cycle. The Administrator has proposed that for the fifth cycle the SPR should have $300 million in resources.

15. The financial growth of the SPR has been matched by, and has indeed arisen from, a step-by-step recognition of the role that UNDP must play in providing development assistance beyond, but still in support of, that available through the basic country, regional, interregional and global IPF programmes. Technical co-operation can no longer be conceived only as a simple process of transferring skills to the developing countries and assisting them to develop their human and material resources by providing them with the expert advice and training facilities that they feel essential to their development objectives and needs. The best possible use of development co-operation resources calls for much more than that. It demands complementary support of several kinds. The efficiency and effectiveness of established technical co-operation practices and modalities has to be continually questioned and researched. The need to identify the best and worst of their results systematically, and to apply the lessons to future programming and project development and implementation, becomes ever more pressing.

16. Furthermore, increasing interdependence among countries has accelerated the pace of socio-economic change which has, in turn, made it necessary to review, adapt and modify technical co-operation priorities and concerns on a continuous basis. Innovation is the key to continuing programme relevance, effectiveness and efficiency. Thus, the first function of the SPR - its role in ensuring programme quality - has significantly gained in importance. This growing interdependence among countries, coupled with the exacerbation of problems such as environmental degradation, has led to the emergence of an increasing number of problems which call for joint, co-ordinated action in support of world development. The search

for appropriate technical co-operation responses to many of these problems is still under way. The SPR will have a major role to play in propelling this search and providing guidance on how to address the growing urgency of some of these issues - including the disparities in human development, capital investments and trade opportunities. Through the SPR, UNDP should reinforce the roles that management, the private sector, the non-governmental organizations (NGOs) and women can and should play in development.

17. Evaluation, research, experimentation, co-ordination, innovation - these are the directions that UNDP must continuously take in order to strengthen the quality and relevance of its assistance at the country and regional levels. In all areas of activity, it is essential to ensure programme quality and the analysis of newly emerging concerns of developing countries. SPR funds will be used, inter alia, to focus on four main technical co-operation concerns: (a) developing methodologies and procedures for systematically assessing technical co-operation needs; (b) identifying new and better modalities for solving developmental problems of priority concern; (c) facilitating the co-ordination of aid from different sources; and (d) monitoring and evaluating the effectiveness and efficiency of assistance modalities and programming techniques.

18. The SPR has the second, well-established function of meeting unpredictable contingencies. These include short-term and longer-term disaster relief and rehabilitation. The needs here are unpredictable, but the experience of many years provides a reasonable basis for estimating future requirements. Moreover, this, too, has become a dynamic area as more and more countries have recognized the need for precautionary and disaster-management measures, including disaster-management training, and turn increasingly to UNDP for assistance in this regard. Other areas, such as the Programme of Assistance to the Palestinian people, have also long been recognized as eligible for SPR assistance.

19. Finally, the SPR-funded activities are undertaken in consultation with the Governing Council and are based on a consensus of the international community on development priorities. Furthermore, it is expected that many of the activities funded from the SPR eventually become incorporated in country and regional level programmes and activities. These programmes are based on conditions and experience in a broad range of countries and regions and on the experience of the entire United Nations development system. The results are made available to all countries, as well as to the international donor community, for use in their own programmes. The Administrator's proposals for the fifth cycle in the various categories of SPR programming are set out in annex III. For simplicity of presentation they appear in the same order as placed before the Governing Council in document DP/1990/8.

IV. OTHER PROGRAMMES

A. Special Industrial Services

20. The Special Industrial Services (SIS) programme provides mainly short-term expert advisory services that are urgently needed. The SIS programme has been administered by the United Nations Industrial Development Organization (UNIDO) with

a fourth cycle allocation of $15 million. The Administrator recommends that the total fifth cycle allocation for SIS be maintained at $15 million.

B. Sectoral support

21. The sectoral support programme funded by UNDP provides advisory technical services to Governments through (a) the programme of Senior Industrial Development Field Advisers (SIDFAs), who are known now as UNIDO Country Directors, and (b) the sectoral support services of the smaller agencies. The sum of $16 million has been allocated to the SIDFA programme and $9 million to the smaller agencies. The report of the Administrator on sectoral support (DP/1990/73) presents a preliminary review of the sectoral support programme in the fourth cycle. The Administrator will present the results and recommendations for the future of the whole programme to the Governing Council at its thirty-eighth session (1991). However, as the Governing Council needs to adopt a resource distribution option for the fifth cycle, a tentative allocation of $30 million is proposed. A redistribution of resources between the two basic sub-programmes as well as amongst smaller agencies is anticipated as a result of the review of the programme by the Council in 1991, but this will be done within available resources. Also, a decision on this subject will need to take into consideration revised support-cost arrangements with agencies.

V. NET CONTRIBUTOR COUNTRIES

22. As stated on various occasions, the implementation of certain provisions of decision 84/9 of 29 June 1984 and the net contribution provisions of decision 85/16 of 29 June 1985 regarding net contributor countries has proven to be complex, politically sensitive and administratively highly cumbersome. Against this background, the Administrator has proposed a series of measures to deal with the net contributor issue in the fifth cycle (see annex III to the present document and paras. 41 to 45 of document DP/1990/8). These proposed measures include, inter alia, a delinkage between the calculation of the net contributor status and the payment of government contributions to local office costs. This means that in defining net contributor status, programme expenditures, including agency support costs, should be matched against voluntary contributions without taking into account the accounting linkage. The Administrator has proposed, however, that the accounting linkage which he considers as an important mechanism in fulfilling host country obligations to meet government contributions to local office costs targets be maintained. The corollary of this proposal was that a field office maintenance policy should be established that would clearly set out the steps to be taken in those cases where net contributor countries were not meeting their obligations in this respect.

23. With regard to net contributor countries that are not fully meeting the local costs of the office, it is proposed that the Administrator negotiate agreements with the respective countries which would ensure that all local costs are covered by the host country. In the event that negotiations do not lead to an agreement by a date to be defined by the Council, the Administrator should close these offices and provide services to the countries on a reimbursable basis from a convenient location.

VI. ADMINISTRATIVE AND PROGRAMME SUPPORT COSTS

24. The Administrator recommends that UNDP administrative and programme support costs be maintained in real terms in the fifth cycle. These costs would therefore grow at an annual rate of 6 per cent, which is the assumed annual rate of inflation. A growth in contributions that considerably exceeds the assumed inflation or substantial growth in the Programme in real terms may require an increase in the UNDP budget to cover clearly identified additional needs.

VII. OPERATIONAL RESERVE

25. The level of the operational reserve was established at 25 per cent of anticipated income or expenditure in any given year, whichever is higher (see decision 80/50). However, by decision 85/16, the Council decided that $40 million, which otherwise would have been added to the operational reserve, based on this formula, had been allocated as follows: $20 million to the SPR and $20 million to the interregional programme. Furthermore, by decision 88/31 of 1 July 1988, the Council, at the recommendation of the Administrator, decided to maintain the $200 million level of the operational reserve for the balance of the cycle.

26. The Administrator, now proposes a modification in the method for calculating the operational reserve. The present formula was established in 1980, when UNDP had somewhat limited experience in managing the unexpected fluctuations of the programme. Significant improvements in systems and procedures have been made since then, so that potential risks have been reduced and the administration's ability to respond to changed circumstances has improved. The Administrator is of the opinion that the percentage used in calculating the operational reserve could be reduced to 20 per cent of the estimated contributions or expenditures for that year, whichever may be the higher, with the level being rounded off to the nearest $10 million, thereby enabling UNDP to use additional funds for programming activities. The Administrator believes this new method to be conservative and reasonable. Furthermore, he proposes a continuation of the current practice whereby this matter would be reviewed by the Council on an annual basis taking into account resource availability and expenditure projections at that time.

VIII. AGENCY SUPPORT COSTS

27. By decision 80/44 of 27 June 1980, the Governing Council decided to establish a rate of 13 per cent of annual project expenditures for reimbursement by UNDP of agency support costs for operational activities in respect of the years 1982 to 1991. In the absence of a decision concerning successor arrangements for agency support costs, it is proposed that an amount corresponding to 13 per cent of the IPF, SPR and SIS be set aside for this purpose in the fifth cycle. Should the decision on support costs result in freeing any resources in the fifth cycle, their distribution to country IPFs will be done in accordance with the provisions governing resource distribution to IPFs to be adopted by the Council.

IX. SPECIAL DRAWING RIGHTS AND BASKETS OF CURRENCIES AS UNITS OF ACCOUNT

28. UNDP last addressed the issue of the use of special drawing rights (SDRs) as the UNDP unit of account in 1983 in document DP/1983/ICW/4/Add.1, prepared for the Intersessional Working Group of the Whole. The matter was not pursued by the Council at that time.

29. In order to reduce the impact of currency fluctuations, the Governing Council, in paragraph 3 of decision 89/45 of 30 June 1989, requested the Administrator to examine and report on options aiming at calculating the financial resources of UNDP and the resulting IPFs in either SDRs or in an ad hoc basket of currencies based on the specific weight of each donor's contribution. After its own preliminary internal investigation of the issue, UNDP requested the assistance of the Treaty Department of the International Monetary Fund (IMF) to make available some of its staff to examine the implications of using the SDR or basket of currencies in the above or related ways. Two members of IMF reviewed the issue in detail with UNDP headquarters staff, as well as with staff of the Department of Technical Co-operation for Development (DTCD), F, the World Bank and the Office for Project Services (OPS), in connection, inter alia, with the operations of these organizations as executing agencies of UNDP. A draft report has been submitted and will be available to the Council at its thirty-seventh session as a background paper. The conclusions of this draft report can be summarized as follows:

(a) Provided that countries agree to the arrangement, SDRs could be used most effectively in UNDP operations to establish and maintain pledges;

(b) UNDP investments currently attempt to reflect the currencies that are likely to be needed. This investment policy should ensure maximum stability in relation to expenditure. No change in UNDP's investment strategy is recommended;

(c) There are benefits in the planning, budgeting and reporting disbursements in a more stable unit such as SDRs, which warrant further investigation of the costs that might be encountered. These are expected to be primarily the costs of staff effort required to familiarize themselves with a new currency unit and the cost of modifying accounting systems to report in a new unit;

(d) Should UNDP alone adopt SDRs as its unit of account, this will result, in addition to the cost of modifying the accounting systems, in substantial conversion costs as the executing agencies will be using some other unit of account (generally the United States dollar). Conversely, the adoption of SDRs by all executing agencies would greatly reduce the cost of doing so to UNDP, as compared with its adoption by UNDP alone. It may therefore be desirable to raise this issue with the United Nations agencies;

(e) SDRs have considerable advantages over an ad hoc basket of currencies. They are more widely known and understood and the rules and procedures for valuing them in terms of other currencies are already established.

30. The Administrator is grateful to the IMF for making its staff available for the study, which greatly facilitates the review of the subject. It is noted that

the conclusion that the major benefits would accrue at the macro-level of pledges and resource allocation confirms the findings of the 1983 report. However, the impact of utilization of SDRs in the day-to-day operations has not been studied. Considerable difficulties would be encountered in the recording and reconciliations of accounts between UNDP and other United Nations organizations if UNDP were to adopt a different accounting unit. With its field office network and broad base of currencies, UNDP acts as a clearing house for the United Nations system. Its activities in this area include receiving or making payments on behalf of other United Nations organizations for their regular programmes or trust fund activities. In this connection, it should be noted that several UNDP systems (including the UNDP payroll system, managed by the United Nations) interlink with United Nations systems, which are maintained in United States dollars. Furthermore, the adoption of SDRs by UNDP alone would require the introduction by UNDP, or agencies, of major conversion programmes. This will no doubt be costly and would not bring the desired benefits. The consultants have suggested that a further investigation of the costs that might be encountered in changing financial systems should be made. While such a study could be undertaken, the magnitude of the required changes to existing UNDP accounting and all related financial reporting systems would require a complete upgrade of the system and would take some years. The changes to the financial systems currently used by the United Nations agencies to accommodate dual-currency reporting would probably be equally complex and costly at a time when many agencies are faced with limited resources. Moreover, the issue of SDRs under arrangements of national execution has not been addressed. The Administrator could perhaps pursue his consultations with the United Nations agencies on the use of SDRs in the United Nations system and under national execution. However, it would appear as a preliminary conclusion that such a change would be most costly and could not be effectively implemented for some time.

Annex I

AVAILABILITY AND COVERAGE OF DATA ON FACTORS WHICH CURRENTLY FEATURE IN SUPPLEMENTARY CRITERIA AND OTHER FACTORS

1. By paragraph 7 of decision 90/4, the Council requested the Administrator to include in his report at the thirty-seventh session information on the availability and coverage of data on the factors which currently feature in the supplementary criteria, as well as other factors. Following consultations with the World Bank and with the assistance of its Socio-Economic Data Division, information was obtained from its various data bases. Additional consultations were held with the United Nations Department of International Economic and Social Affairs. Printed sources published by the World Bank, the United Nations Statistical Office, the Organisation for Economic Co-operation and Development (OECD) and IMF were also reviewed.

2. Availability of data on the following factors was investigated: GDP, gross national product (GNP), output of manufacturing, external debt relative to GNP, the relationship between debt service payments and exports, net transfer of resources, the latest data on economies in transition, and the availability of depletable and non-renewable resources. Certain assumptions were made with respect to their definition. For example, manufacturing output was determined by deducting the output of mining, construction, electricity, gas and water from the output of industry as a whole. Also considered were economies in transition, as defined in paragraph 36 of document DP/1990/8, which include countries which during the fourth cycle received structural adjustment lending from the World Bank in order to undertake policy and institutional changes necessary to modify the structure of their economies. Information on three interrelated performance indicators was obtained: (a) reduction in price control derived from changes in price indices over time compared to a statistical average; (b) reduction of price subsidies as determined by changes in subsidies received by enterprises and public corporations; (c) modification of foreign exchange controls as determined by the relative convergence of official and parallel market rates. GNP-related external debt covers public and publicly guaranteed debt and private non-guaranteed debt. Net transfer of resources is defined as net lending (disbursements minus principal repayments) less interest payments.

3. With respect to the availability of data on depletable and non-renewable resources, the investigation revealed that extensive data exists for subsoil minerals and fossil fuel resources, forest and rangeland resources and water resources. However, analysing and compiling this data in a comparable form would be a costly and time consuming task and outside the terms of reference for this investigation. For 102 of the 151 UNDP recipient countries, data published by the World Resources Institute in The New State of the World Atlas and in the International Development Review are available on four natural resources: minerals, energy, food (grains) and forests. A country's relative endowment of the first three resources is measured on a surplus/deficit basis i.e., whether the country is using more or less of the resource than it produces and by how much.

Forest resources are measured by how much national land area remains as forest and woodland. Measurements are translated into a scale of 1-5, with 5 as the lowest rating.

4. The coverage and availability of data on each factor were recorded in a matrix with four categories as shown below:

Category/Data	GDP	GNP	Output of manufacturing	Debt: GNP	Debt service: exports	Net transfer of resources	Reduction of price controls a/	Reduction b/ of price subsidies	Modified foreign exchange controls Parallel	Official
Data not available	0	0	17	10	30	28	26	45	56	14
Published data	128	128	103	139	107	109	117	75	95	135
Data not fully comparable	11	11	29	1	0	0	4	12	0	2
Unpublished estimates	12	12	2	1	14	14	4	19	0	0
Totals	151	151	151	151	151	151	151	151	151	151

Sources:

GDP - World Bank data base, Socio-Economic Data Division.

GNP - World Bank data base, Department of International Economic and Social Affairs data base.

Output of Manufacturing - World Bank data base.

Debt: GNP Ratio - External debt statistics, OECD, Paris, 1989.

Debt service to exports ratio - World Debt Tables 1989-90, External Debt of Developing Countries, Vol. II, Washington, D.C.: World Bank, 1989.

Net transfer of resources - ibid.

Reduction in price controls - World Bank data base listings of price indexes and public consumptions.

Reduction in price subsidies - Government Finance Statistics Yearbook Vol. XIII, 1989, International Monetary Fund, Washington, D.C., 1989.

Modification of foreign exchange controls: World Bank data base.

Availability of Depletable and Non-Renewable Resources - "The Quality of Natural Resources and the Way They're Managed", International Development Review, Winter 1989-90.

a/ Data cover all countries and are not restricted to countries which might be covered by a supplementary criteria.

Annex II

RESOURCES AND EXPENDITURES FOR LDCs FOR THE PERIOD 1987-1991 a/

(millions of US dollars)

Categories	1987	1988	1989	1990	1991	Total
IPF (fourth cycle)	222.2	262.0	285.7			1 376.5
SMF/LDC contributions b/	14.5	15.9	15.2	12.4	12.4	70.4
Cost-sharing c/	7.9	9.7	9.5	9.5	9.5	46.1
SPR c/	2.0	4.1	6.0	6.0	6.0	24.1
Trust Fund Famine and Malnutrition (EOTF) c/						7.1
UNCDF c/ d/	41.1	34.6	45.0	45.0	45.0	210.7
UNSO c/	17.7	20.0	27.1	28.0	28.0	120.8
UNFSTD c/	0.6	0.1	0.1	0.1	0.1	1.0
ENERGY ACCOUNT c/	0.4	0.3	0.1	0.15	0.15	1.1
UNIFEM c/	0.7	0.9	0.6	0.6	0.6	3.4
UNRFNRE c/						3.4
Total						1 864.6

a/ The figures for 1987-1989 are actuals; the total is the sum of all entitlements 1987-1991.

b/ SMF/LDC contributions for 1991 are estimates.

c/ 1989-1991 expenditures are estimates.

d/ Includes cost-sharing.

Annex III

PROPOSED FIFTH-CYCLE ALLOCATIONS FOR SPR PROGRAMMES

Category	Amount (Millions of US dollars)
A. Disaster mitigation	50
B. Aid co-ordination (NaTCAPs, round-table meetings, field co-ordination, etc.)	55
C. Technical Co-operation among Developing Countries	15
D. Programme development (PDF, evaluation, programme research, new initiatives etc.)	50
E. Thematic activities (MDP, Human Development Report, environment, poverty alleviation)	90
F. Assistance to the Palestinian people	12
G. Contingency	28
Total	300

A. Disaster Mitigation

	Fourth cycle	Fifth cycle
	(Millions of US dollars)	
Emergency relief	6.0	7.0
Reconstruction and rehabilitation	27.0	33.0
Disaster management	2.0	10.0
Total	35.0	50.0

1. During the first three years of the fourth cycle, 90 countries called upon UNDP for emergency relief: 29 in Africa, 11 in Arab States region, 18 in Latin America and 32 in Asia. With few exceptions, the amounts approved were $50,000, the maximum amount authorized. An amount of $7.0 million will be required for emergency relief in the fifth cycle. Assistance for reconstruction and rehabilitation was provided in 41 cases and averaged $0.5 million. During the fourth cycle, assistance under this heading had to be reduced from a maximum of $1.1 million to $200,000 because of resource limitations. An appropriate maximum level will be established for the fifth cycle based, inter alia, on analysis of historical data. The logic of including this assistance in the SPR is that, from the resource planning point of view, since the incidence of future disasters is unpredictable, it is essential that UNDP be prepared to provide assistance quickly outside its more lengthy programming procedures. It may also be noted that all the evidence points to a worsening of the effects of disasters and an increase in the costs of relief and rehabilitation. In all, $33 million will be required for reconstruction and rehabilitation following natural disasters. Also, the Council may wish to review an issue of continuing concern and increasing importance, namely that of refugees and displaced persons. UNDP has not provided assistance from SPR for such purposes; however, UNDP involvement in this area has been increasing substantially inasmuch as it relates to development issues. As such, it may be appropriate to set aside some resources for the role of UNDP in handling displaced persons and refugees. The report of the Administrator on refugees and displaced persons (DP/1990/66) deals with the issue in more detail.

2. The authorization of $1.5 million for disaster management was a new earmarking approved by the Council at its thirty-fifth session (1988) in recognition of the increasing importance of disaster mitigation, undertaken as an integral part of a country's development planning and implementation. The earmarking for disaster management is intended to assist in strengthening institutional frameworks and to enhance the disaster preparedness of Governments. This is consistent with the mandate of UNDP as a development organization, and responds to Economic and Social Council resolution 1988/51. Furthermore, General Assembly resolution 44/236 of 22 December 1989 proclaimed the International Decade for Natural Disaster Reduction, beginning on 1 January 1990. In the annex of this resolution the General Assembly urged the United Nations Organizations to "accord priority, as appropriate and in a concerted manner, to natural disaster preparedness, prevention, relief and short-term recovery including economic damage risk assessment in their operational activities"; it also added that "United Nations resident co-ordinators and the field representatives of the United Nations system are requested to work closely and in a co-ordinated manner with Governments to achieve the objectives and goals of the Decade." The $10 million resources required for the fifth cycle will be used for policy studies, institution-building, the preparation of investment in early warning systems and other physical measures, and training in and evaluation of responses to disasters.

3. It should be noted that UNDP plays an important operational and co-ordinating role in disaster situations through its Resident Representatives. All Resident Representatives are ex officio representatives of the United Nations Disaster Relief Co-ordinator (UNDRO) in their countries of assignment. In this capacity, Resident Representatives are responsible for acting as UNDRO representatives regarding disaster preparedness and disaster relief. In those cases where an UNDRO

delegate is fielded, following the occurrence of a natural disaster, the delegate reports directly to the Resident Representative. Once the rehabilitation and reconstruction phase comes into effect, UNDRO involvement ceases, but frequently the UNDP Resident Representative continues his/her involvement, as significant SPR funds may be brought to bear to assist in this phase. In addition, increasing amounts of national IPF funds are being approved for disaster-preparedness projects.

4. The UNDP Resident Representative, in his/her capacity as Resident Co-ordinator for operational activities, is responsible for co-ordinating the country-level activities of the United Nations system throughout the critical period of the disaster. The most important forum for achieving this co-ordination is the in-country disaster management group whose membership includes the country representatives of United Nations system organizations and agencies. It is through this mechanism that the Resident Co-ordinator assembles information on damage and the needed response, which is transmitted to UNDRO. Depending on the country concerned, and the wishes of the host Government and donors, the co-ordinating role of the Resident Co-ordinator may extend beyond the response of the United Nations system; this has happened on several occasions in recent years.

5. The arrangements detailed above were identified in the course of the work of the UNDP/UNDRO task force on improved co-operation which was established at the request of the General Assembly at its forty-second session. At the forty-third session of the General Assembly, the Secretary-General presented the recommendations of the task force, which had been approved by the Food and Agriculture Organization of the United Nations (FAO), the United Nations Children's Fund (UNICEF), the Office of the United Nations High Commissioner for Refugees (UNHCR), the World Food Programme (WFP) and the World Health Organization (WHO). In this manner, both UNDP and UNDRO have attempted to ensure that their roles complement each other throughout the cycle of disaster preparedness, relief and rehabilitation.

6. To meet all the objectives, it has been decided that certain actions are needed to ensure that UNDP field staff serving the disaster-prone countries are better equipped to undertake tasks related to disasters. Training in disaster mitigation for UNDP staff (in part jointly with their host government counterparts) will be started in 1991. At the same time, a disaster manual will be provided to all UNDP field offices. The need for such measures was identified by the above-mentioned task force, as well as through the evaluation of UNDP and UNDRO responses to natural disasters, which was undertaken in 1989.

B. Aid co-ordination

	Fourth cycle	Fifth cycle
	(Millions of US dollars)	
NaTCAPs, round-table meetings and UNDP support to Consultative Group meetings	14.0	35.0
Others, e.g. needs assessments, country programme reviews	5.5	10.0
Field co-ordination activities (new)	-	10.0
Total	19.5	55.0

7. To achieve maximum impact, UNDP development assistance clearly needs to meet each government's priority technical co-operation requirements and also to be dovetailed as closely as possible with the assistance being provided by other donors and lending institutions within an overall framework. This is being achieved principally through the round-table process, national technical co-operation assessment programmes (NaTCAPs), and assistance to Governments in preparations for donor Consultative Groups. These exercises provide a framework for establishing clear technical assistance and related investment priorities, and greatly enhance the collective impact of the international development effort. The NaTCAPs represent an important systematic effort to collect and analyse aggregate data on a sectoral basis to establish clear policies and priorities for developmental purposes. They are also proving to be very useful to other donors in their aid programming. The same can also be said of the research findings, programme advisory notes, and other documentation undertaken through the SPR programme development and evaluation activities. During the first three years of the fourth cycle, 23 round-table meetings and 21 NaTCAPs were organized. In addition to NaTCAPs, reviews of technical assistance activities of varying scope were carried out in all regions in conjunction with their respective programming process. UNDP support for some Consultative Group meetings has been limited to the preparation of documentation on technical assistance needs.

8. Sizeable increases are anticipated in the number of round-table meetings, NaTCAPs and support to Governments in Consultative Group meetings to be organized during the fifth cycle. It is expected that the Second United Nations Conference on the Least Developed Countries to be held in Paris in 1990 will recommend that such meetings be organized on a shorter cycle (two to three years) for LDCs. The Regional Bureau for Africa (RBA) estimates that on average eight round-table cycles (including follow-up meetings) will have to be financed each year. It is also estimated that UNDP support to about eight consultative group meetings will be provided each year. By the end of 1991, NaTCAPs will be under way in 28 of the 43

countries in the Africa region, and the plan is to complete the NaTCAP cycle and maintain the outputs in all countries during the next cycle. The Regional Bureau for Asia and the Pacific (RBAP) is planning on at least four round-table meetings per year. The Administrator's request incorporates the minimum estimated financing necessary to undertake the outlined activities.

9. UNDP support to aid co-ordination has taken other forms as well. For example, support has been extended to research and study on substantive issues which come up at meetings of Consultative Groups such as those relating to the agriculture sector or the environment. Support has also been provided for the organization and management of local consultation and co-ordination groups at the national, sectoral and sub-sectoral levels. These practical forms of aid co-ordination have increased in recent years. Furthermore, activities have been under way to upgrade the country level development co-operation report, considered an important benchmark document for aid co-ordination.

10. The new category of field co-ordination activities ($10 million for the fifth cycle) is intended to help meet requirements resulting from paragraph 17 of General Assembly resolution 44/211 of 22 December 1989. Activities will comprise assistance to Governments in strengthening sustained aid co-ordination capacities at the country level as well as the provision of resources for selective support to enable Resident Representatives to carry out effectively their role as Resident Co-ordinators. Guidelines on the use of these resources will be developed in the course of the next year.

C. Technical Co-operation among Developing Countries

	Fourth cycle	Fifth cycle
	(Millions of US dollars)	
TCDC	10.1	15.0

11. Intensified efforts called for by the Governing Council and the General Assembly are expected to foster greater use of technical co-operation among developing countries (TCDC) as a modality of technical co-operation, both in the mainstream of UNDP and other United Nations system programming and in the realm of bilateral and multilateral exchanges among the developing countries. Many countries in all regions have made substantial progress in developing their resources and raising the living standards of their people and in the process have gained experience which can be of great value to other developing countries. These resources, skills and experience need to be shared as widely as possible throughout the developing world for the purpose of accelerating the individual and collective self-reliance of developing countries and lessening their dependence on outside technical advice. The TCDC component of the SPR has provided important support for the expansion of these kinds of exchanges, and should be seen as a vital component of technical co-operation.

12. With SPR support provided through the UNDP Special Unit for TCDC, the fifth cycle is expected to see increases in the number and variety of the inter-country TCDC programming events which have been a pronounced feature of TCDC activity during the fourth cycle. Such programming has now taken place in and between all regions, and has produced more than 2,000 project agreements. Present trends are towards subject-specific programming and the involvement of the private sector. Sectoral seminars and workshops, combined with TCDC programming, are also likely to increase in number. SPR provides catalytic support, when requested by Governments, not only for the organization and functioning of these various programming events, but also for the implementation of agreed projects, especially in the case of LDCs. This applies also to the large number of TCDC activities arising from bilateral arrangements between developing countries. A second development that is expected to expand is the organization of combined promotional/training meetings for government officials of particular countries. A third significant development during the cycle has been the further expansion of INRES-South, the TCDC information referral system. It is expected that during the fifth cycle at least six multi-country programming meetings and at least five TCDC promotional training meetings will be organized each year. In addition, training activities aimed at strengthening national TCDC focal points, together with those of UNDP and other United Nations organizations, will be expanded and studies of further new approaches will be undertaken.

D. Programme development

	Fourth cycle	Fifth cycle
	(Millions of US dollars)	
Project Development Facility	4.5	15.0
Programme evaluation/training	3.0	7.0
Programme research	2.5	8.0
New initiatives/innovative approaches, including private sector development	8.5	20.0
Total	18.5	50.0

13. The purpose of programme development activities is to seek and use means of further enhancing the effectiveness and impact of UNDP field programmes. Special studies are designed and undertaken to develop new programme areas important to the changing needs and priorities of developing countries. Research is carried out to identify the major development challenges of the future, to improve methodologies for delivering effective technical co-operation and to devise and apply innovative approaches. Assistance is made available to countries to identify and prepare technical co-operation projects. Evaluation and ex-post facto evaluations are undertaken of major project areas and groups of country and inter-country projects

so that lessons and guidelines derived from them can be fed back into the programming process. The focus of this set of activities is the continued development of the approach to and design and implementation of UNDP-supported operational activities.

14. The Project Development Facility (PDF) has the most direct influence on the content of projects falling within the country programmes. Its purpose is to help the Governments of developing countries to prepare pipelines of well-planned projects for UNDP assistance within their IPF programmes. Demand for this assistance has continued to increase and its demonstrated success justify the proposed threefold increase in fifth-cycle earmarking. This earmarking is even more important in view of the intention to move increasingly towards a programme approach. This area is relatively new and will require a continuing, well-planned effort to obtain the best results from programming. An overview of the activities undertaken through PDF is available to the Council in document DP/1990/35.

15. Programme evaluations such as those carried out during the fourth cycle (e.g., the United Nations Volunteer (UNV) programme, the evaluation of the process of the mid-term country programme reviews, UNDP operational activities, and, jointly with the Netherlands, rural small industrial enterprises) will be continued to the extent needed to provide guidance for future programming in important areas of development. So also will be ex-post facto evaluations of the ultimate results of UNDP-supported activities in selected countries and sectors. The conclusions reached from all such evaluations will be used, for example, in programme advisory notes and in training materials for UNDP staff, with the ultimate objective of positive impact on the quality of UNDP assistance. All the evaluations assume even greater importance as UNDP moves progressively from a project approach to more integrated and co-ordinated programming of its assistance as mentioned by the General Assembly in resolution 44/211 of 22 December 1989 (para. 17). For the period of the fifth cycle, over 100 evaluations of various kinds are planned. These include thematic evaluations, process and sectoral evaluations, ex-post facto evaluations, and the preparation of national evaluation monographs and special strategies in non-project settings involving new technical co-operation approaches. Many of these activities are proposed to be carried out jointly with other aid donors.

16. Promotion of new approaches to technical co-operation during the fourth cycle has included such subjects as (a) an increased co-operation with and support to NGOs through the Partners in Development Programme; (b) putting into operation the UNDP mandate for women in development; (c) activities towards greater involvement of the private sector in national development efforts. During the fifth cycle, some of these ongoing activities which have proven successful - such as the NGO activities - will require continuous or additional support. As regards the encouragement of the role of the private sector in development, assistance will be provided to Governments who wish to develop policies for deregulating their economies. Other programmes may include future UNDP participation in the efforts to control the human immunodeficiency virus (HIV) and acquired immunodeficiency syndrome (AIDS) infection. Issues related to the international debt may require focus and attention not only at the country level but also support from a central point. Improvement of statistical data bases in the human development field may also be pursued. Other areas of concentration will be developed as UNDP moves

towards the fifth cycle. Proposed major programmes will be brought to the Governing Council for further consultation.

17. The major thrusts in programme research so far have been in several areas. First, UNDP work dealt with the social dimensions of structural adjustment, with a focus on the new generation of reform programmes in which social and institutional issues are core components. Second is the employment and labour market-related issues affecting the unemployed and landless in particular. A third area has been the complementarity between public and private investment, especially where public sector activity is limited by structural adjustment programmes. These issues and complementary studies have formed a major input into the Human Development Report, 1990.

18. After the initial phase of the research programme, it is envisaged for the fifth cycle to focus research on a number of carefully selected themes and also to seek more systematic linkages between the analytical dimensions of research and its implications for the design and delivery of technical co-operation. Major themes of the research will concern the issue of how to make human development more operational and its consequences more transparent, because it is felt that an enhanced understanding of such issues as private/social rates of return to education could do a lot to encourage the requisite policy orientation. The research programme will also examine selected aspects of the globalization of development in order to prepare UNDP for responding to Government requests in these areas. Additional issues will concern (a) macro-economic reforms, with a focus on the development of new generation reform programmes in which social and institutional issues are core components, together with the concern of encouraging non-public development initiatives in their broadest sense; (b) development of concepts and measurement indicators for assessing national institutional capacity; (c) research on technical co-operation, its nature and modalities, including research on public sector performance and the provision of public goods; and (d) the stimulation of policy analysis through financing country-specific research to support analysis of issues identified through policy dialogue with national authorities. In addition to these four major areas, it is envisaged that research linked to operational modalities evolving from the dialogue with specialized agencies will also be undertaken.

E. Thematic activities

		Fourth cycle	Fifth cycle
		(Millions of US dollars)	
(i)	Human Development Report	0.8	5.0
(ii)	Country programming initiatives	-	5.0
(iii)	Poverty alleviation initiatives (new)	-	20.0
	Environmental management development	-	25.0
(iv)	Follow-up to the International Conference on Education for All	-	5.0
(v)	Management Development Programme	60.0	30.0
(vi)	Special Plan of Economic Assistance to Central America	20.0	0.0
	Total	80.8	90.0

19. The category of thematic activities consists of operational activities focused on longer-term and basic development issues which are emerging as matters of broad international concern and in which UNDP inevitably becomes involved. A prime example is human development. The main message conveyed by past development experience is that all too often economic growth and macro-economic stability have been pursued as ends in themselves. Income has been expanded without the progress in this respect being allowed fully to translate itself into progress in human development. However, there are also many examples of successful human development strategies and policies which point to realistic and affordable measures, i.e., measures which would even be applicable to lower-income countries. A more systematic analysis of the lessons learned and of the policy approaches which have proven feasible and effective will thus be of direct importance to ensuring that development in the 1990s will make headway towards alleviating poverty and enhancing overall levels of human development. The Human Development Report will be the vehicle for this sharing of experience. In the same way as the report for 1990, subsequent reports will also take a comprehensive, integrated perspective on human development and thus providing a platform for all the concerned United Nations agencies to offer their consolidated advice on how to manage economic growth and human development concerns.

20. In order to ensure that the Report becomes an effective means of sharing development experience and of stimulating developing countries to learn from one another, it must be followed up by country-level programming initiatives, taken by the countries themselves. Primarily, they would address issues of overall planning, budgeting and investment programming for human-oriented development. The programming initiatives would certainly also help to identify areas for priority attention as regards poverty alleviation and other activities of key interest to a more people-focused development, in particular the involvement in development of community-based and other NGOs, women's participation in development, issues of linking micro and macro level development initiatives, and strengthening the role of Governments in establishing an enabling policy framework.

21. There is mounting evidence pointing to the link between poverty and environmental degradation in developing countries. In order to protect and rehabilitate the natural resource base of the developing countries in the interest of their own longer-term development, activities aimed at poverty alleviation have to be launched as a matter of urgency. However, one has to bear in mind that this objective has been pursued also in previous decades. Evidently, success in poverty alleviation will depend on identifying new workable, realistic and durable strategies. This will be done by: (a) identifying successful innovative country strategies (e.g., in the field of credit provision); and (b) assisting other countries in replicating this experience, encouraging wherever possibly appropriate, grass-roots based development efforts.

22. Another message that development experience conveys is the critical importance of human resource development (as an integral part of overall human development strategies) for economic growth and development. Of special importance is the investment into women's education, an area which is already underfunded although women's education has clearly been found to be a key to reducing fertility, managing population growth and increasing levels of development. Another reason why priority attention should be accorded to education in the 1990s is the growing importance of knowledge-based technologies for future economic growth. Therefore, as a follow-up to the International Conference on Basic Education for All held in Jomtien, Thailand, in April 1990, an SPR earmarking has been added. The follow-up action will be aimed at assisting Governments in implementing one of the key recommendations which emanated from the Jomtien Conference, i.e., the proposal to prepare systematic assessments of the financial resource implications of achieving the goal of basic education for all by the year 2000. These financial plans, which would indicate both domestic and external resource requirements, could be submitted by Governments to their major donor meetings and thus be an important instrument for resource mobilization. By describing and costing the education strategies which Governments intend to pursue and to which donors pledge financial support, these plans would, indeed, constitute the basis of a global compact between developing countries and their aid partners in support of the objective of basic education for all.

23. Poverty is increasingly an urban phenomenon in the sense that the number and percentage of people living in poverty is rising fastest in the urban areas. Issues of accelerating urbanization and urban management, therefore, deserve urgent attention. As regards environmental management and development, important work has been started during the fourth programming cycle. In all these areas, a particular

focus will be placed on women in development, particularly where significant gender differences exist in access to and control over productive resources. Also, in discussions between Governments and United Nations organizations, including the United Nations Environment Programme (UNEP) and UNDP, as well as the World Bank, the operation of a global environment facility has been envisaged. Substantial resources would become available for this facility. It was noted in this context that there is a need to strengthen significantly the human resource base and capacity of developing countries to manage natural resources and environmental aspects of global concern. Success in addressing the global issues of environment will require the co-operation of the major institutions in all countries, and to foster this, plans call for the building up of sustainable development networks. Member institutions will include governmental, non-governmental, academic, grass-roots and entrepreneurial organizations. These networks will be supported with the information, training and technical support needed to enable them to contribute effectively to economic and social development that is sustainable, environmentally sound and focused on human well-being as the ultimate goal. Its effective launching will require substantial resources and the Administrator proposes that the Council allocate initially $25 million from the SPR.

24. The Management Development Programme was approved by the Governing Council in decision 88/31/A of 1 July 1988, with an earmarking of $60 million; it began operational activities towards the end of 1988. A report of the Administrator is available to the Council on the operations of the MDP so far and future plans (DP/1990/23). Considering the lengthy debate which preceded the establishment of the MDP in 1988, the Administrator has proposed only $30 million for this programme in the fifth cycle. The broad measure of support for this programme as reflected in informal debates, as well as during special session in February 1990, suggest that a higher level of resources may be authorized by the Council. Such an increase would be entirely justified, but would necessitate an increase in the funds earmarked for the SPR.

F. Assistance to the Palestinian people

	Fourth cycle	Fifth cycle
	(Millions of US dollars)	
Assistance to the Palestinian people	12.0	12.0

25. This programme of technical and capital assistance to the peoples in the occupied territories of the West Bank and Gaza is financed in part from the SPR. The amount authorized by the Governing Council for the fourth cycle was $12.0 million, bringing total SPR-funding since the Programme was established to $25.5 million. The Programme is providing much needed economic and social development assistance to the Palestinian people. The Administrator proposes that the Council authorize support at the same level as for the fourth cycle, i.e., $12 million as a minimum. The Administrator also recommends that the Council be prepared to consider an additional allocation at an appropriate future time should the rate of project preparation and implementation so warrant.

G. Contingency

	Fourth cycle	Fifth cycle
	(Millions of US dollars)	
Contingency	13.6	28.0

26. Based on the experience of the previous cycles, the Administrator recommends that the fifth cycle SPR should include an amount for unforeseen contingencies at the level of $28 million. To ensure that this amount will be sufficient to meet future unforeseen needs, the Administrator will propose to the Council criteria and a timetable for the possible release of such resources. These criteria will include a proposal that no allocations be authorized against this amount until, say, mid-1994.